

FINANCIAL TIMES

PUBLISHED IN LONDON AND FRANKFURT

Wednesday June 20 1979

\*\*\*15p



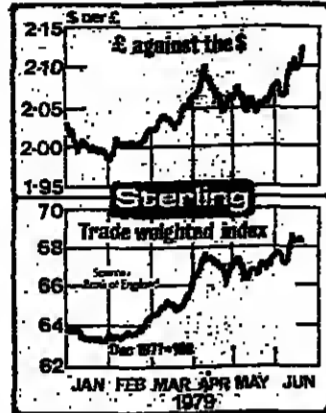
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NEWS SUMMARY

GENERAL: DC-10 Europe lights resumed. Business: Sterling up 1.73c; Equities uncertain.



Sharp rise in imports and slight fall in exports

£1bn trade deficit in five months

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

BRITAIN HAD a deficit of £1.08bn on the current account of its balance of payments in the first five months of this year...

Table: BALANCE OF PAYMENTS £m seasonally adjusted. Columns: Visible trade, Invisibles, Current account.

The May figures, published yesterday by the Trade Department, indicate that the underlying position is even worse than suggested by estimates earlier this month for the January-to-April period...

The Whitehall view is that after allowing for all these distorting influences the deficit on visible trade between January and May may have been around £2bn...

World oil crisis near, says Yamani

BY KEVIN DONE, ENERGY CORRESPONDENT

SHEIKH Ahmed Zaki Yamani, the Saudi Arabian Oil Minister, warned yesterday that a world energy crisis could develop in the next 10 years...

It is possible that this may have reflected stockpiling and purchases associated with the consumer boom. If this is the case the growth of imports may now slacken...

Prices up 22.7%

Consumer all prices in the Common Market rose 22.7 per cent overall between December 15 and May 25 according to EC Commission statistics...

European air authorities gave go-ahead for DC-10 flights resume today, despite official warnings about the aircraft's tail and the prospects of a return to normal conditions.

In Britain the Civil Aviation Authority reinstated certificates of airworthiness for UK registered DC-10s, subject to tighter conditions.

A torpedo jury it today. Jeremy Thomas trial jury retire to consider its verdict. On the last full day of his trial, Mr. Justice Cantelmo described self-confessed hit man Andrew Newton as a "nymph" and a "conceited idiot."

A bomb hotels. A leading Ulster hotels were damaged in a co-ordinated IRA bombing attack throughout the province.

ri murdered. A murder hunt was launched on Merseyside after a 19-year-old girl was shot in the head as she rode piggyback on her father's shoulders at Litherly in Rainhill.

Yams award. Iry J. Hyams, developer of the Point, was awarded £100,000 damages in the High Court over a Daily Mail article which suggested that his luxury hi had been impounded since he had not paid a repair bill.

Arching move. Isle of Man is rebelling against the British Government to sue the Council of Europe to exempt the island's blanching from the Human Rights Convention.

Room absent. In Bloom, former head of the shed Rolls Razor washing machine company, failed to appear at London Bankruptcy court for his public examination.

Police on campus. Police called to Sussex University to prevent continuation of preliminary examinations arrested Shun Fensom, a student leader expelled from campus on June 3 for previously disrupting the exams.

Jeffy. Ten count soared to a very high 145 in London and the County Council. But the Asthma research Council said this is its highest season would be better than usual.

People's store Harrods is overruled for rock bottom prices in the Guide to Good Shops, just published. The Mrs. Susan Campbell, says Harrods has the best bargains in butter and bacon.

Table: Chief price changes yesterday. Lists price changes for various commodities like wheat, sugar, oil, etc.

Mrs Thatcher gives jobless warning over pay claims

BY RICHARD EVANS, LOBBY EDITOR

MRS. MARGARET THATCHER gave the sternest warning so far that the Government will be prepared to see higher unemployment and more bankruptcies if trade union negotiators insist on demanding excessive wage settlements next winter.

possibility of a pay freeze at some stage but made it clear she intended to do everything possible to avoid such a course.

"I believe it is far better for people to be faced with the consequences of their own wage claims than to try to save them from it," she said during questions from MPs worried about the wage tactics of unions in the next pay round.

Lord Cockfield, Minister of State to the Treasury, echoed Mrs. Thatcher's warning when he told the Lords that excessive wage demands would mean workers pricing themselves out of jobs.

£57m Tilling rights issue taken up by 25% of shareholders

BY CHRISTINE MOIR

THOMAS TILLING'S invitation to its shareholders to provide £57m for further expansion has been declined by holders of three out of every four shares.

Today, Under Stock Exchange rules the brokers to an issue, in this case Rowe and Pitman, have a couple of days in which to try to find buyers prepared to take up the total outstanding.

Table: CONTENTS. Lists various articles and their page numbers, including sections on safety, banking, U.S. efforts, and management.

More U.S. petrol curbs

BY STEWART FLEMING IN NEW YORK

TIGHTENING OIL supplies in the U.S. have forced seven north-eastern states to announce plans for new restrictions on petrol sales to the public.

Following the lead of California in the spring, the Governors of New York and New Jersey have announced that from Wednesday and Thursday filling stations in the New York metropolitan area will have to ration petrol.



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# EUROPEAN NEWS

## Rupert Cornwell on the paradoxical strength of the Italian lira The pleasures of monetary virtue

ITALY IS at present enjoying a pleasure it has hardly tasted since the 1960s, a consistently strong currency. In true Italian fashion, paradox abounds: The currency gets stronger as the energy crisis worsens in a country more dependent than any other in Europe on imported oil, and which has so far done less than most others to solve the problem.

How long this happy state of affairs will continue is another matter. In the run-up to the Tokyo economic summit later this month the monetary authorities are for once showing signs of slight embarrassment over reserves which are not too small, but too large.

In the three months since the European Monetary System has been operating, the lira has gained about 2 per cent on average against the other participating currencies — and against the Belgian franc, at the moment the weakest link in the EMS, by around 4.6 per cent.

Perhaps most remarkable of all, the advance has taken place while Italian inflation has been rising steadily and while the country has been experiencing a steady economic upswing. Official and unofficial forecasts now suggest that gross domestic product will grow by 4 to 5 per cent in 1979.

In the past such a combination would automatically have entailed a sharp rise in imports, a deep trade deficit and measures to curb demand. This time, not so, at least so far.

Since the start of the year the Bank of Italy has been intervening heavily on the foreign exchange markets to control the lira's ascent. Sig. Paolo Baffi, the Governor, told the bank's annual meeting last month that by the end of April reserves had risen to L27,400bn (\$32.2bn).

More to the point, whereas official reserves 18 months ago only just covered the sum of official debts and commercial



Sig. Paolo Baffi

banks' foreign liabilities, today they exceed them by L14,000bn (\$16.4bn).

Although Sig. Filippo Maria Pandolfi, the Treasury Minister, has intimated that Italy will seek a further standby credit from the International Monetary Fund once a new government has been formed, such a step would be purely cosmetic.

Far from needing money, the country is paying funds into the IMF, in keeping with its new-found position of an international creditor nation.

But the most striking sign of the changed times is the flurry of argument over whether Italy should embark on a gently managed revaluation of the lira, as a means of helping to keep inflation at bay, at least that

part of it which is imported. The debate in fact is somewhat misplaced, since the performance of the lira within the EMS already amounts to a slight revaluation. But the argument against it raises most of the problems which surround the future management of the currency.

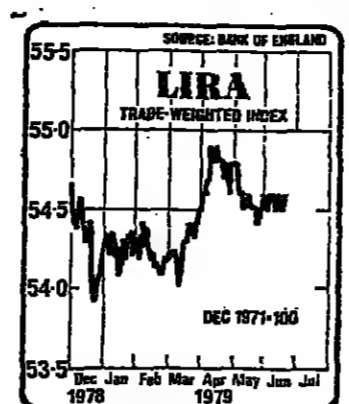
In the first place, the movements of the lira are heavily conditioned by the most important international exchange rate, of the Deutsche Mark against the dollar. Last year the dollar remained weak. The Bank of Italy could simultaneously allow the lira to decline against the stronger European currency bloc, thus improving the export competitiveness of industry, but to gain against the dollar, thus holding steady Italy's raw material import bill.

Recently the trend has been reversed, with the improvement in the dollar's performance against the DM. While the lira has moved upwards against the mark and other EEC currencies, it has weakened slightly vis-à-vis the dollar.

But will the dollar remain strong against the mark, given the determination of the German authorities to stamp out inflation? Not for very long, in the view of some here, in which case the former pattern might well again re-emerge, before any lasting damage has been done to industrial competitiveness.

So far, despite an internal inflation rate double the European average, competitiveness has held up very well. The buoyancy of exports has not been one of the most important reasons for last year's payments surplus of L7,000bn but also for the significant increase in 1978 of Italy's share of world trade.

Revaluation would put this at jeopardy. Everyone points to what has happened in Britain, where the



untouchable, a strong enough Government will emerge to prune some of the other forms of indexation, in pensions, for example.

Then there is oil. Whereas countries like Switzerland, Germany and Britain have started to pass on the sharp increases in crude prices, Italy has so far done little. The Central Bank is among the most vigorous proponents of swift action.

These factors explain why Governor Baffi was concerned enough by the likelihood of a wide and persistent inflation gap between Italy and its EMS partners to insist on a 6 per cent fluctuation band.

The answer to why Italy, against all previous experience, is managing to combine growth with a contained trade deficit lies, according to both central and commercial bankers, in a new, more professional approach to stock management.

This reflects partly the proliferation of small and medium sized industries, prominent exporters and importers, who can be extremely cautious in their inventory policies. But also among larger groups, stock management has been given greater priority, given the extremely high cost of borrowing money.

**BACKGROUND TO THE TOKYO ECONOMIC SUMMIT**

## Election setback in Sardinia for Communists

BY OUR ROME STAFF

AS SOME 13m workers staged strikes throughout Italy in protest at the slow progress of wage talks, the Communists (PCI) have suffered a further electoral setback, this time in regional polls in Sardinia.

The result, on the eve of the opening of the country's eighth post-war parliament, follows the party's disappointing showing in the general and European elections earlier this month.

With just 26.2 per cent of the poll, the PCI has dropped back by a further 5.5 per cent compared with its performance in the general election. In fact the Communists in Sardinia are below the level they achieved at the last regional elections five years ago.

The outcome, which broadly confirms the recent trend for smaller "lay" parties to do well, serves to underline the problems facing the Communists as they prepare for next week's central committee meeting that is expected to endorse important changes in the structure of the party's leadership.

It also lends added significance to the departure of — now reluctantly approved by the party hierarchy — of Sig. Pietro Ingrao, from the prestige-worthy job of president of the national assembly, to concentrate on purely party affairs.

Sig. Ingrao has emerged as one of the most respected and authoritative figures on the

"left" of the PCI. On several occasions during the last uncomfortable three years he has criticised its policies.

With the exception of the unpredictable Radicals, most parties seem to have accepted that another Communist should take over the assembly presidency, in keeping with the now established tradition that a representative of the second largest political group should preside over one of the two houses of the Italian Parliament.

Sig. Amintore Fanfani, the former Christian Democrat Prime Minister, is expected to be reconfirmed in the second ranking post of president of the Senate.

The Communists were due last night to nominate their candidate for the chamber. The favourite was the Signor. Nilda Jotti, already a vice-president of the assembly and a member of the PCI's central committee for two decades. If chosen, she would be the first woman to hold so important a constitutional post in the history of the Italian republic.

Once the new parliament has elected its top official, the way will be clear for the start of the laborious process of establishing a new government.

Meanwhile, millions of workers stopped work yesterday throughout the country in an attempt to hasten progress in talks to settle new three-year contracts for wide sections of industry.

## Sweden's engineering profits worst ever

By William Duffin in Stockholm

SWEDISH engineering companies experienced their worst year ever in 1978. Although their five-year profit plans should be halted this year, they will still be far short of the profitability level they must reach to fulfil their role in Swedish economic growth.

The message was emphasised yesterday by Mr. Aake Nordlander, managing director of the Engineering Association, when he presented the preliminary results of the association's annual company profits study. This indicated that 44 per cent of the engineering companies operated at a loss in 1978.

The average pre-tax return on equity was only 4.2 per cent, compared with the 14 per cent recorded in 1973 and the 12 per cent, which Nordlander sees as a reasonable target. Worst hit were the small and medium enterprises; the large concerns performed better.

Medium-sized companies, employing between 150 and 500 people, average a pre-tax loss of 2.7 per cent on equity, while small companies, with 75 to 150 employees, saw their return sink from 4.3 per cent in 1977 to 1.1 per cent last year.

Over the last four years, 25,000 jobs have disappeared within Swedish engineering and one in five employees work in a company which made a loss in 1978.

Nevertheless, Mr. Nordlander would not use the word "crisis". Profitability varied widely among the companies in each branch.

The delayed effect of the 1977 devaluation of the Krona and the moderate wages settlement negotiated last year had improved the situation for the industry, he said, but not enough. Employers' tax burden had to be eased.

## Turkey agrees to attend Balkan conference

BY OUR ATHENS CORRESPONDENT

TURKEY HAS agreed to attend a Balkan conference in Athens in November to discuss multilateral co-operation in transport and communications.

Romania and Bulgaria have already said they will attend the conference which was suggested by Prime Minister Constantine Karamanlis, of Greece. Yugoslavia is expected to reply in the next few days.

Mr. Karamanlis believes that co-operation between Balkan countries in non-political fields can help create a climate of détente in the peninsula, which could also ease tension between Greece and Turkey.

Projects expected to be discussed at the conference include the trans-European motorway to link Europe with the Middle East. The motorway will begin at the Baltic seaport of Gdansk and end in Athens.

The costs for constructing the highway are immense and the United Nations Economic Commission for Europe which is involved in the project, is banking heavily on help from international organisations.

Another important transport project to be considered is the plan to link the Danube and the Aegean Sea through a waterway.

## Swiss dollar sales reduce reserves

By John Wicks in Zurich

FOREIGN CURRENCY reserves of the Swiss National Bank fell by SwFr 1.04bn (£277m) to SwFr 21.4bn (\$394m) in the week ended June 15. This decline, which followed a drop of SwFr 1.81bn in the previous week, and was due in part to National Bank sales of dollars, took the figure to its lowest level since the third week of September, 1978.

Since then, the National Bank's foreign currency holdings have risen considerably, reaching a peak of SwFr 31.9bn just before Christmas.

## Norway dispute over oil pollution equipment

BY FAY GJETER IN OSLO

SHARPLY conflicting reports have been received in Norway about the performance of Norwegian equipment being used to fight pollution from a well blow-out which is sending 5,000 tonnes of oil a day into the Gulf of Mexico.

If the clean-up attempt should prove a total failure, it could provide ammunition for opponents of Norwegian Government plans to allow oil drilling from 1980, in the fish-rich waters off Norway's northern coast.

At the blow-out site in C-peche Bay, a Norwegian scientist said at the weekend that "not a drop" of oil had been sucked up by the two "skimmers" flown to Mexico last

week. The oil was so diluted with sea water that the skimmers were ineffective, he said.

A spokesman for Statoil, Norway's state oil company, said however, that the equipment was working satisfactorily under the circumstances and seemed to be containing the spill. He said some 1,200-tonnes of oil/water emulsion had been sucked up on Saturday. Statoil engineers are co-ordinating the clean-up.

The special conditions in the Gulf of Mexico appear to have created some difficulties for the Norwegians. The water is shallower than in the North Sea, and the intense turbulence above the blow-out well emulsifies the

oil with water, making it harder to collect.

The mobility of the containing booms has also been a problem. They are designed for use with highly manoeuvrable boats operated by trained crews.

Such boats were not immediately available in Mexico, and shifting currents carried some oil away from the booms before boats were supplied by Pemex, the Mexican state oil company.

Despite the differing conditions, however, Norwegians will be worried if their anti-spill equipment does not significantly check pollution from the Mexican well. The Government's

faith in the effectiveness of this equipment, stockpiled in depots all along the Norwegian coast, has been an important official argument for giving the green light to drilling in the north.

The Norwegian Prime Minister, Mr. Odvar Nordli said yesterday in San Francisco, that Norway has significantly benefited from wage and price controls despite its commitment to free market economy, AP-DJ reports.

Norway had implemented wage and price controls 15 months ago, he said, and inflation had reduced from nearly 10 per cent in 1977 to between 4 and 5 per cent in the past 12 months.

## Spanish papers shut

Six state-run newspapers in Spain closed yesterday following a government decision to trim the losses of a media chain inherited from the regime of the late General Franco. Reuter reports from Madrid. They were Arriba, Madrid, Solidaridad Nacional, and La Prensa de Barcelona, Amanecer of Saragossa, El Pueblo Gallego of Vigo and Libertad of Valladolid. The news agency Pyres, also owned by the chain, shut on Saturday.

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*Jellycolito*

# Assembly boycott buys time for Turkish premier

BY METIN MUNIR IN ANKARA

MR. BULENT ECEVIT, the Turkish Prime Minister, yesterday escaped a move by the opposition to force his resignation by the boycotting of the National Assembly session which was to have debated a motion moved by the Right wing parties which claim to have a majority in the Assembly. As a result of the boycott, the session was unable to constitute a quorum.

The motion was against Mr. Tunçay Matracı, the Minister of Customs and Monopolies, after allegations that he had been misusing his office.

Mr. Suleyman Demirel, the main opposition leader and former Prime Minister, accused the Government of "running away from Parliament, and by doing so becoming a party to the wrongdoings of a Cabinet minister."

Mr. Ecevit presumably feared that the vote at the end of the debate would confirm that he had lost his majority, and a later vote of no confidence could lead to his defeat.

There have been nine defections from the Government side in less than a month. The Prime Minister is now believed to control 220 seats, six short of an absolute majority.

Tomorrow Parliament meets to discuss the extension of martial law for a further two months in 19 of Turkey's 67 provinces, where more than a third of the population of 45m lives.

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Mr. Ecevit presumably feared

# Modest growth in French industry

By Terry Dodsworth in Paris

FRENCH manufacturing industry has moved back into modest growth after the stagnation in industrial production in April.

It can now look forward to continuing expansion up to the August holidays after which higher oil and raw material prices may cause a slow-down.

These forecasts from the Bank of France's monthly bulletin for May confirm similar indications in recent surveys from the Paris Chamber of Commerce and Industry, and the employers' association.

They all show the country is going through a spell of cautious growth in which existing capacity is being well utilised, despite inhibitions about further investment.

The main stimulant to industry was provided last month by orders from inside France, the Bank says.

These went up at a rate higher than the normal seasonal variations, which may indicate companies were stocking up before the summer holidays and the new round of price rises related to the oil-price increase.

Orders from overseas, which have been a significant prop to French industry this year, have also held up well.

Companies are worried, the Bank says, about their ability to remain competitive in world markets under the pressure of rising prices in France, although they remain reasonably optimistic.

In individual sectors, the most marked growth was in semi-finished goods. The capital goods industry remained steady, with encouraging overseas demand.

In consumer goods, where demand has slackened in France, the vehicles and processed foods industries held up well.

The surveys have been published against a background of official acceptance that the present oil price situation will cut the French economy's predicted growth-rate this year from 3.7 to 3.4 per cent.

Indications are that the main difficulties in absorbing the oil and raw material price increases will come in the autumn and winter, when they could spell serious problems for the country's current balance of payments surplus.

The improvements noted by the bank are also consistent with the general pick-up in the financial health of French industry, which has been raising production while holding its labour force steady.

## EUROPEAN ECONOMY IN THE 1980s

# Ortoli warns of 'brutal change'

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT, IN BRUSSELS

EUROPEAN ECONOMIES face a decade of brutal structural change, during which governments will be condemned to policies of austerity and personal consumption will take second place to increased investment, if the EEC is to weather the difficulties posed by diminished oil supplies.

This is the gloomy prognosis offered by M. Francois-Xavier Ortoli, the EEC Economics Commissioner, in a paper which seeks to chart the development of economic policies in the Community over the next 10 years. The paper will be submitted to Common Market leaders when they meet in Strasbourg tomorrow.

Central to M. Ortoli's argument is the assumption that energy supplies will remain scarce for years to come. He

estimates that at recent growth rates, the EEC's energy consumption in 1980 will be more than 50 per cent above the level this year, and that OPEC oil production would have doubled over the same period to sustain the current rate of increase in total world demand.

It is unlikely that the needed oil supplies will be forthcoming, Europe must therefore seek new ways of promoting stable economic growth which are less energy-dependent, while channelling more resources into sectors which will strengthen its export performance on what are likely to be increasingly competitive world markets.

It emphasises that such growth must also be non-inflationary if the EEC is to remain competitive. "That implies the pursuit of rigorous economic

policies which ensure that prices are kept under control, a limitation of the increase in real income and currency stability."

Governments must be prepared to intervene more extensively to create the necessary investments because these may not initially appear profitable enough to attract private capital. The paper offers no novel suggestions for the sectors to be developed, beyond saying that they should be technologically advanced, rely on highly specialised labour and consume few raw materials.

The process envisaged in the paper will be possible only if entrenched resistance to technological change is overcome and all sections of society are encouraged to participate. But

# Socialists oppose defence policy shift

By Our Paris Staff

BRITISH LABOUR MPs succeeded in quashing a recommendation made here yesterday for the Community institutions to assume responsibility for defence policies. The recommendation was made in a report to the mid-year assembly of the Western European Union, which groups MPs from seven countries.

Labour MPs were backed by West German Social Democrats and other members of the Socialist group in opposing the motion, which urged the WEU Council to study ways of including the organisation in an EEC foreign and defence policy framework.

Mr. Thomas Urwin, Labour MP for Houghton-le-Spring, said it would be "a very dangerous path indeed" for European countries to try to delegate the responsibility now held by NATO to the European Parliament.

The WEU assembly, he added, was the only forum where MPs of European countries could debate defence matters. There was nothing in the Rome Treaty which allowed the European Parliament "to dabble in any shape or form in defence matters."

In a debate on armaments policy, Mr. Kenneth Warren, Tory MP for Hastings, said the Soviet Union had achieved "a major military advantage" in the SALT II agreement signed in Vienna.

He warned of "the terrible threat" which Europe had in face in the form of the Soviet SS-20 missile, "which was neatly excluded by the Russians from the Vienna treaty."

However, plans for a full discussion in the WEU Assembly of SALT II and the prospects for Thursday, appear almost certain to be shelved because of the controversial nature of the subject.

# Portuguese Bill will end domination of unions

BY JIMMY BURNS IN LISBON

AFTER MORE than a year's delay, the Portuguese Parliament has begun formal debate of a Bill which aims to liberalise Portugal's ambiguous and restrictive union legislation.

Already assured of wide parliamentary support, it will establish the right of free association and effectively put an end to the monopoly of the labour movement by the Communist-dominated General Workers' Confederation (Intersindical).

A central article in the Bill stipulates that union elections should be based on the principle of proportional representation.

In practice, this will mean that the recently-created non-Communist trade union organisation, the General Union of Workers (UGP), will be able to share workers' committees with members of Intersindical. They will also be able to participate more fully in negotiations with the Government.

Intersindical has refused to recognise the UGP, claiming that the formation of a new union organisation is proscribed by law.

In a strongly-worded statement yesterday Sr. Teixeira da Silva, a member of Intersindical's National Secretariat, pledged total opposition to the application of the Bill.

"The Bill represents a grave attack on trade union freedoms and is both undemocratic and unconstitutional," he said.

# Dutch union protest passes peacefully

BY CHARLES BATHCHELOR IN AMSTERDAM

AN ESTIMATED 50,000 strikers marched through Utrecht yesterday, while demonstrations and short work stoppages were staged throughout the Netherlands. The day's protest was called by the FNV union federation to mark its opposition to planned Government spending cuts.

The federation claimed its action had been a success, but employers' organisations said that the strike had had little impact.

Minor incidents occurred when police removed strikers blockading the entrance to an industrial area in The Hague, and when pickets in Amsterdam prevented the few trams which were still running from picking up passengers.

The mass rally in Utrecht, which ended with Mr. Wijn Kok, chairman of the federation, addressing trade unionists and MPs, passed off peacefully.

Regional bus services in many areas in the west of the Netherlands were halted as was most public transport in Amsterdam, and The Hague. Welfare workers, university personnel and rubbish collectors also joined the strike, while many workers in private industry, the harbours, and on building sites staged demonstrations and work stoppages.

Yesterday's demonstration was the second within a year against the Government's planned spending curbs.

## Oil discovery

Traces of oil have been found at Enresse in south-west France in sufficient quantities to raise hopes of commercial production by the two companies involved, the nationalised Elf-Aquitaine group and Esso Rep, writes Terry Dodsworth in Paris. The field is unlikely to produce more than 250,000 tonnes of oil a year.

# UK bid to curb farm imports from EEC

BY MARGARET VAN HATTEM IN LUXEMBOURG

BRITAIN'S small farming sector should be encouraged to expand while other EEC farmers must cut back their production. That, in a nutshell, is Britain's strategy in the current farm price negotiations as clarified yesterday by Mr. Peter Walker, the British Agriculture Minister.

The immediate effects of the 5 per cent "green pound" devaluation which he is seeking will be to shift the cost of maintaining high EEC support prices from the Community budget to the British consumer.

Initially, this will mean an outflow of funds from the UK to its EEC partners in the form of higher food import prices, which would more than offset any reduction in Britain's net contribution to the EEC budget. However, the UK Government hopes that its farmers will respond to their price increases by expanding production, eventually reducing the share of the UK market currently held by other EEC producers.

Meanwhile, the higher food prices will add to inflation. Mr. Walker estimates that the 5 per cent devaluation will add only 0.25 per cent to the retail price index. The cumulative effect of this, together with the 5 per cent devaluation approved in March, the further 5 per cent devaluation sought for 1980-81 and the inflationary measures contained in last week's budget, will be much more. But Mr. Walker considers the extra burden on the British consumer will not be excessive.

The British line should come as no surprise to anyone familiar with the White Paper on agriculture, published last year. Nevertheless, it has disappointed those EEC states who had hoped for a more conciliatory line from the Conservative Government.

For the time being, the other eight appear to regard Mr. Walker's demands as potential levers for gaining concessions in other areas, such as prices, milk tax and sugar subsidies.

France, for example, is still pushing for a 2.3 per cent overall price rise, and many member states are determined to water down the Commission's proposal for taxing milk production and cutting sugar subsidies. Thus, they do not wish to grant Britain its devaluation before the overall package is agreed.

After almost two days of talks, a settlement looks as remote as ever. Mr. Finn Olav Gundelach, the EEC Farm Commissioner, concluded a series of exploratory bilateral talks with the nine Ministers yesterday afternoon and was expected later in the evening to give his assessment of how the outstanding differences might be bridged.

But few in Luxembourg hold out hopes of a settlement this week and some see little chance

of an agreement before September, if then.

So far, West Germany appears to be in the strongest bargaining position since it has put forward no demands and appears to want little more than to be left alone. For the first time in years, it is not pushing for price rises, possibly because of a rising tide of domestic sentiment against the generous tax concession enjoyed by the country's farmers, who receive the highest prices in the Community. Boosting prices might fuel public indignation even more.

However, West Germans are under pressure from the French, who are anxious to reduce the gap between their own and West German prices. They accept that the only way to do this is to freeze West German national prices and raise Community support prices, thus cutting the subsidies on West German farm exports.

**"The only complaint I have about the Airbus is that there aren't more of them."**

This is an authentic passenger statement.

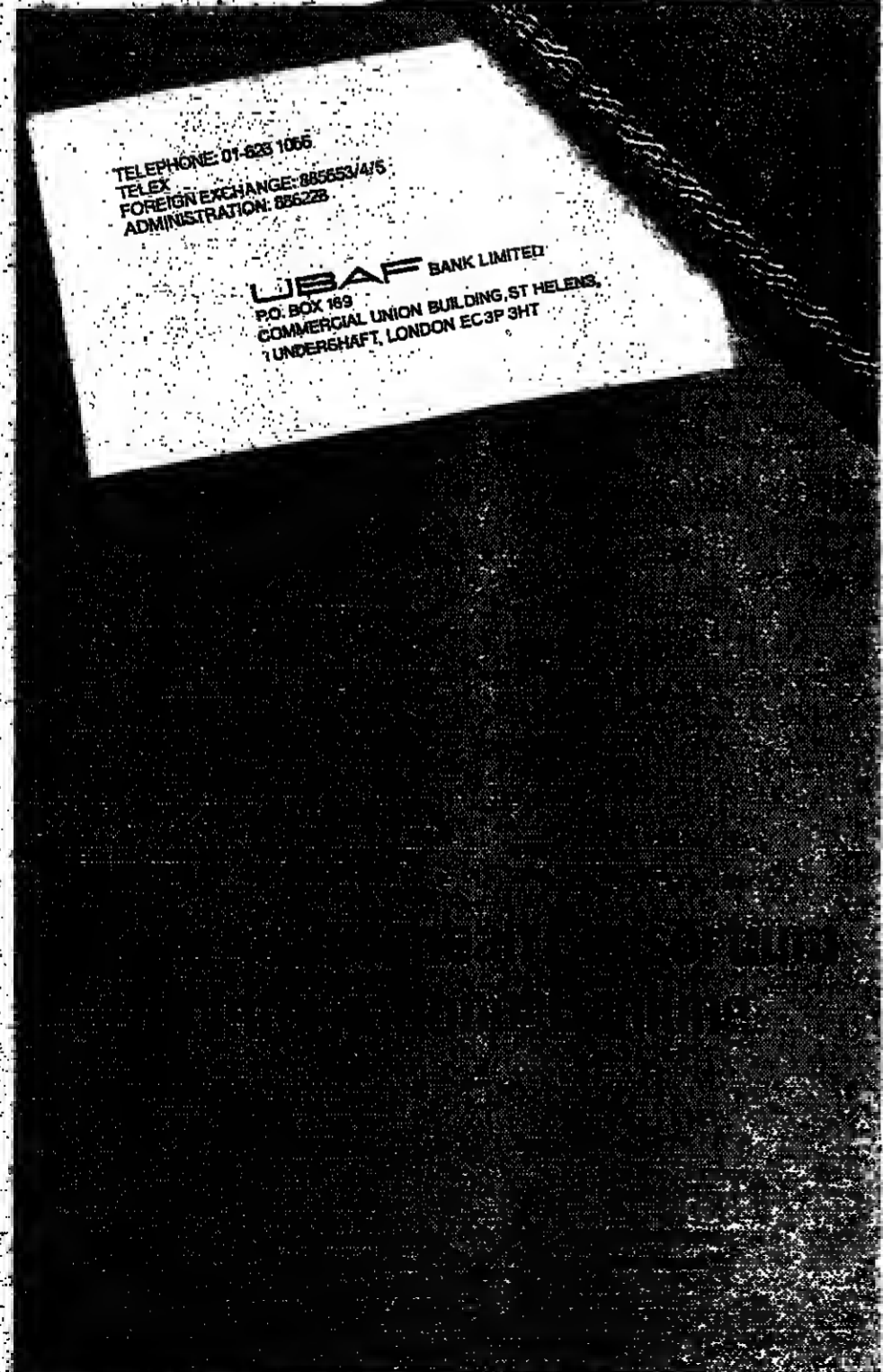
Not only this passenger will be happy to know: we ordered 25 more Airbuses.



Consult your Travel Agency or our timetable for exact details of all our flights.

ICA  
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space



AMERICAN NEWS

Russians test Carter on Backfire

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

SENIOR White House officials believe that President Brezhnev was testing President Carter's resolve in the one genuinely unexpected part of the Vienna summit—the exchange of the Russian Backfire bomber.

But the strength of this pledge is still being questioned here. In publishing all the SALT documents, the U.S. included the specific Soviet statement on the Backfire.

In tactical terms, the White House clearly considers it important to convey the impression that Mr. Carter was neither awed by nor hoodwinked by the ailing Russian President.

Arab fund to halt investment in Canada

By James Burston

THE Arab Monetary Fund (AMF), which has functions on the lines of the IMF for Arab states, has said it will stop all financial dealings with Canada.

OAS states disagree on Nicaragua intervention

BY HUGH O'SHAUGHNESSY

AS THE Government of General Anastasio Somoza in Nicaragua comes under increasing pressure from Sandinista guerrillas, a major diplomatic row is breaking out over military intervention in the conflict.

Some of the members of the Provisional Government Council, which was set up by the anti-Somoza forces in Costa Rica on Saturday, feel that it might be difficult to get an intervention force together.

NY subway carriage battle looms

By John Wyles in New York

NEW YORK CITY and Pullman Inc. of Chicago are squaring up for a bitter court battle over defects in one-third of 754 new subway carriages.

Brezhnev 'heir' said not a word

BY DAVID SATTER IN VIENNA

AN INTRIGUING insight into the leadership stakes in the Soviet Union was seen during the recently concluded U.S.-Soviet summit meeting in Vienna.

At the U.S. ambassador's dinner, Mr. Brezhnev first appeared tired and nothing of substance was discussed.

At the U.S. ambassador's dinner, Mr. Brezhnev first appeared tired and nothing of substance was discussed. On Sunday there was a marked deterioration in his condition.

Tories win in Newfoundland

By Victor Mackie in Ottawa

THE PROGRESSIVE Conservatives swamped the Liberals in the Newfoundland election on Monday.

Oil issue 'has been fumbled'

BY DAVID LASCELLES

NOTHING HAS more injured the prestige of the U.S. than five years of mindless fumbling with the oil problem, according to Mr. George Ball, former Secretary of State.

FINANCIAL TIMES World-wide Investment in the U.S. CONFERENCE advertisement with logo and text.

FALLOUT FROM THE SPACE PROGRAMME

Skylab's giant footprint

BY DAVID BUCHAN IN WASHINGTON

CONTROLLERS for the National Aeronautics and Space Administration (NASA) in Houston are due to send out radio signals today to Skylab.

Frosch, the NASA administrator, who may then be in a position to influence very roughly where Skylab's debris lands.

chance that a particular person might get hurt—safer than getting out of bed in the morning, the NASA people quip.

NASA itself, while telling the public to keep calm, is hoping for the best while preparing for the worst.



Skylab: Heading home.

Dr. Frosch also said recently that NASA considered asking the Russians to boost Skylab into a higher orbit with a Soyuz rocket.

FOSS advertisement for Ro-Ro services from UK/Europe to the Middle East, including contact details and service descriptions.

U.S. supports British proposal for conference on refugees

BY DAVID BUCHAN IN WASHINGTON

THE UNITED STATES is to consider increasing the average of 400 Vietnamese refugees a month it has been taking in from Hong Kong.

million by the end of the year. While praising the U.S. for meeting as many as 7,000 refugees a month, he noted that up to 3,000 were taken in from Malaysia a month.

ground. Also to put pressure on Vietnam to let the refugees depart in a more orderly and safe manner, or to change its policy altogether.

Simpson advertisement featuring a man in a checkered jacket and trousers, with text 'Simpson ICCADILLY' and 'Checkmate'.

Handwritten signature 'Jelly' at the bottom of the page.

# WE DEMAND MORE.

When the first Volvo was born in 1927, Sweden had terrible roads and a nordic climate.

The weather never changed.

Which is all for the best because Volvo has thrived on such demands.

The durability, the reliability and the safety of our cars became famous the world over.

For example, we were the first to put seat belts in every car (in 1959, years before the law demanded them). A little later, we introduced the adjustable lumbar support seat.

We also invented a triangular braking system which retains 80% of its efficiency even if only one circuit is working.



And we built every Volvo round a rigid safety cage of box steel pillars, with each weld able to support the weight of the entire car.

You might assume that such excellence would demand the highest price.

However, it could be the one area where we fall below your expectations.

# WE ASK LESS.

Volvo 244DL	£ 5852
Audi 100L 5S	£ 6166
Rover 2300	£ 6384
Ford Granada 2.3GL	£ 6838
BMW 520	£ 7772
Mercedes 200	£ 7822

(Prices are for manual versions including car tax and VAT at the current rate. Correct at time of going to press.)

OVERSEAS NEWS

ANDREW CLARK, in Sydney, examines the scandal which has shaken Australia's police

Murder—and the 'Golden Triangle'

AUSTRALIA, a country which takes pride in a relatively clean system of government, has been rocked by a scandal involving federal and state police forces recently. Two weeks ago, the commissioner of the New South Wales police, and the head of the Federal Narcotics Bureau... After three days of intense... Australian workers will hold a national strike tomorrow...

contributing to the country's balance of payments problems. Some welfare officials claim that there are now as many as 70,000 heroin addicts in Australia... The Mackay disappearance led to the appointment of a Royal Commission in New South Wales to inquire into the drug activities in the state... Bishop Muzorewa met both Mr. P. W. Botha, the Prime Minister, and Mr. P. K. Botha, the Foreign Minister in Pretoria...

Muzorewa has talks in Pretoria

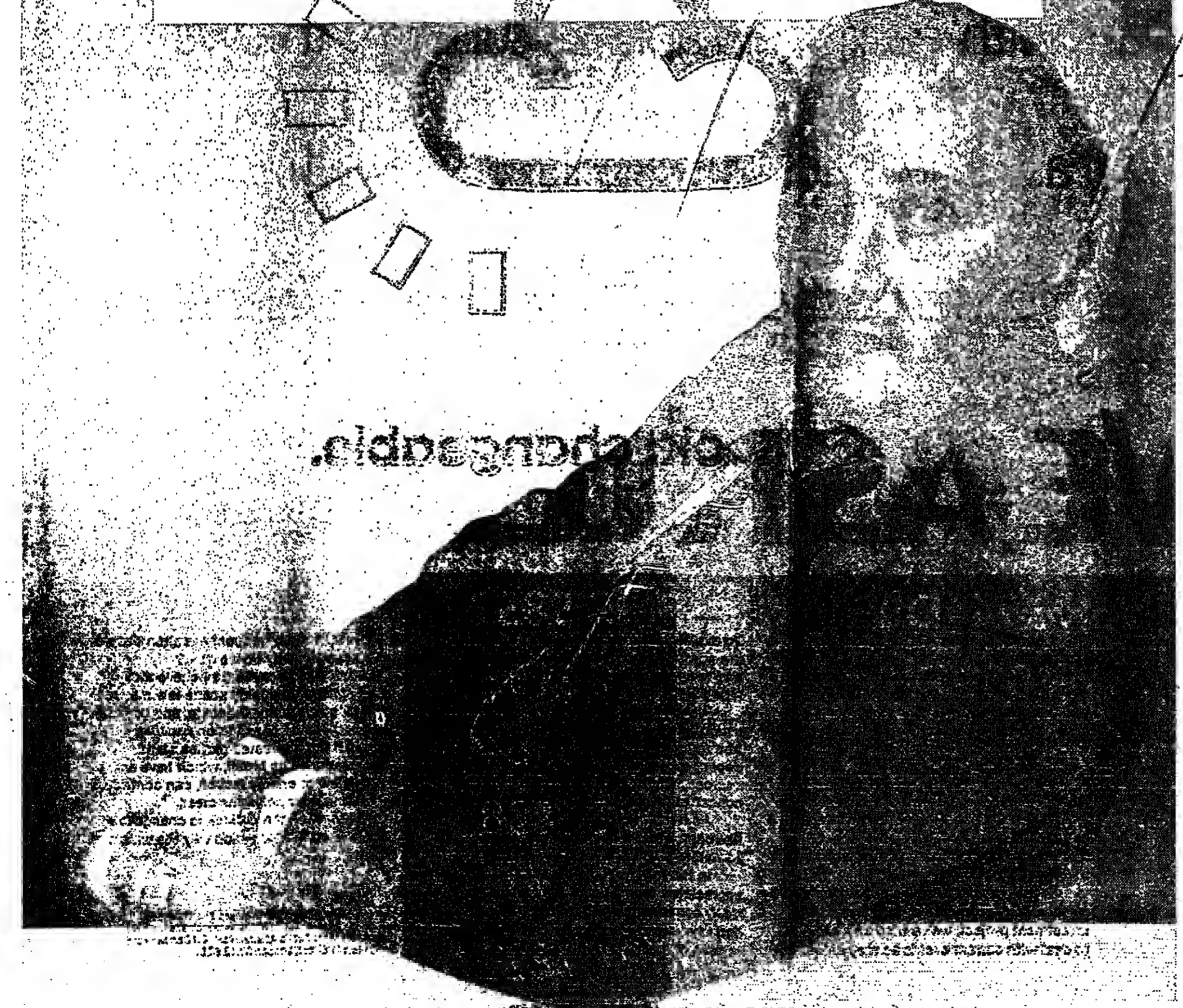
THE ZIMBABWE Rhodesian Government last night officially confirmed that Bishop Abel Muzorewa, the Prime Minister, had visited South Africa at the weekend for talks on "matters of mutual concern"...

Iran denies claims of reductions in its oil exports

IRAN has accused "western organisations" of trying to divert attention from a possible oil price increase at next week's ministerial conference of the Organisation of Petroleum Exporting Countries in Geneva... The NIOC chairman denied any decline in Iranian oil production... The latest figures released by NIOC for June 1, showed a total production of 3,574 million barrels that day...

"THEIR CREDIT INFORMATION IS ABSOLUTELY RED HOT," says James Corcoran, Managing Director of Adamson Containers Ltd. of Stockport whose exports to the major shipping countries of the world were running at £6.4m in 1978. "The shipping container industry is still growing rapidly, and it won't level off for another 10 years in my opinion."

us about ECGD. Even if you're selling to people for cash or on letter of credit, it's good to know how sound they are. "We also like our person-to-person relationship with ECGD. If an urgent problem arises, we can talk direct to their underwriters at the Regional Office."



Ghana has lost its way, says Rawlings

GHANA urgently needs its senior officers displaced during the military coup two weeks ago, to return to their duties, Lt. Jerry Rawlings, chairman of the Armed Forces Revolutionary Council, said in an interview with the Financial Times... "The country had lost direction," Lt. Rawlings added. Many senior officers had been badly misdirected by their superiors during the coup which toppled the former military government of Gen. Fred Akuffo.



He fosters an air of casual informality as he relaxes in his chair at the Commanding Officer's headquarters in the centre of the sprawling Burma Military Camp on the outskirts of Accra... "Although cautious in what he says, he gives many clues to the differences of opinion known to exist between himself and other more 'hawkish' members of the AFRC."

Israeli fighter-jets buzz South Lebanon again

ISRAELI fighter-jets buzzed Southern Lebanon from the end to the other yesterday, while its gunboats patrolled Lebanese territorial waters, from the Israeli coast to the Port of Sidon, the State-controlled Radio Lebanon said... "It is seen as a major step in consolidating the power of the Government of President Elias Sarkis."

ECGD insures from date of contract or despatch of goods. Cover is available for contracts in sterling or other currencies... ECGD 1919-1979

Handwritten signature or text at the bottom of the page.

WORLD TRADE NEWS

SHIPPING CONFERENCE

End of flags of convenience predicted

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

Flags of convenience will disappear, along with the domination of world maritime trade by a small group of countries, within the next 20 years. This was the forecast made yesterday by Mr. Adib Al-Jadir, Director of the shipping division of the United Nations Conference on Trade and Development (UNCTAD).

Mr. Al-Jadir said the agreement by the established shipping countries to a curbing convention for liner shipping was recognition of the justification of UNCTAD's shipping strategy. This was to raise the share of the world fleet owned in developing countries from its present 8.6 per cent and their share of bulk fleets from 7 per cent.

Aluminium Bahrain management contracts

By Mary Frings in Bahrain

ALUMINIUM BAHRAIN has awarded project management contracts to Kaiser Engineers of the U.S. and Ewbank and Partners of the U.K. for the \$120m plant expansion which will boost production capacity to 165,000 tonnes per year.

SOUTH AFRICA TRADE BALANCE

Gold helps S. Africa reach record surplus

By Quentin Peel in Johannesburg

THE RAPID rise in the price of gold and other minerals, coinciding with a drastic reduction in oil imports, produced a record current account surplus for South Africa in the first quarter of the year, totalling R1,066m (\$625m).

The value of merchandise exports, excluding gold, actually declined slightly from an annual rate of R8,226m to R8,255m in the last quarter. The change was the net result of a substantial decline in real exports, almost entirely offset by a substantial increase in export prices.

OECD oil imports seen reaching 37m b/d by 1985

FINANCIAL TIMES REPORTER

SPORTS OF crude oil by the major industrial countries will rise from their present level of around 30.5m barrels per day to 37m b/d in 1985 and 42.3m b/d by 1990, according to Economic Models, the London-based economic forecasting group.

Danish gas plan finalised

By Hilary Barnes in Copenhagen

THE R 6.2bn (\$1.1bn) project to land Danish North Sea gas and distribute it to between 400,000 and 600,000 households in the main urban areas received the final go-ahead yesterday when Mr. Arne Christiansen, Minister of Commerce, signed contracts on the State's own oil and gas distribution company.

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Under these circumstances, Economic Models forecasts that the price of oil, predicted to rise 30 per cent this year, will rise at average rates of between 7 and 12 per cent annually at current prices to a price of \$45.23 a barrel by 1990. It stresses that at no point will a price increase be less than the OECD rate of inflation which will not fall below 6 per cent during the period.

The first stage of the project involves the distribution of 55bn cubic metres of gas over a 25-year period from 1984, but the first gas deliveries to consumers will begin in 1982 with gas supplied by Jutland, West Germany.

The first of two new pot rooms, housing 182 reduction cells, is expected to be on line by the first quarter of 1981 and the second seven or eight months later.

The Reserve Bank simply refers to a "substantial decrease."

On the long-term account, the total outflow of R207m was caused by several elements. These included repayments of foreign loans by the Central Government, a net outflow from the private sector influenced by net sales of foreign-owned securities on the Johannesburg Stock Exchange, and a reduction in the net borrowing by public corporations.

Delay in China steelworks order for W. Germany

By Jonathan Carr in Bonn

THE WEST GERMAN consortium hoping for contracts from a Chinese to build an extensive integrated steel works in Hopai province is now unlikely to receive firm orders before next year.

Originally the West Germans hoped that firm orders might have been received this year. And while the total extent of the Hopai work may not be cut back, it is now held possible that the high technological input may be less than first envisaged, bringing a lower overall bill.

Imports from East Germany rose to \$36.1m compared with \$29.6m in 1978. In some months of the year, however, East German purchases of non-ferrous metals on the London Metal Exchange make up a considerable proportion of UK exports, and these figures are not yet available.

But the most frequent question people have asked is: why do we do it? Basically, because we believe today's rapidly-changing energy scene is a matter for public and political debate; and because informed debate depends on knowing where all the interested parties stand.

Organisations like Mobil, which have an inside view of energy issues, can contribute by making their positions clear. Even when the outlook is changeable, people like to know which way the wind's blowing.

GKN-E. Germany in talks on £540m truck project

By Leslie Coult in Berlin

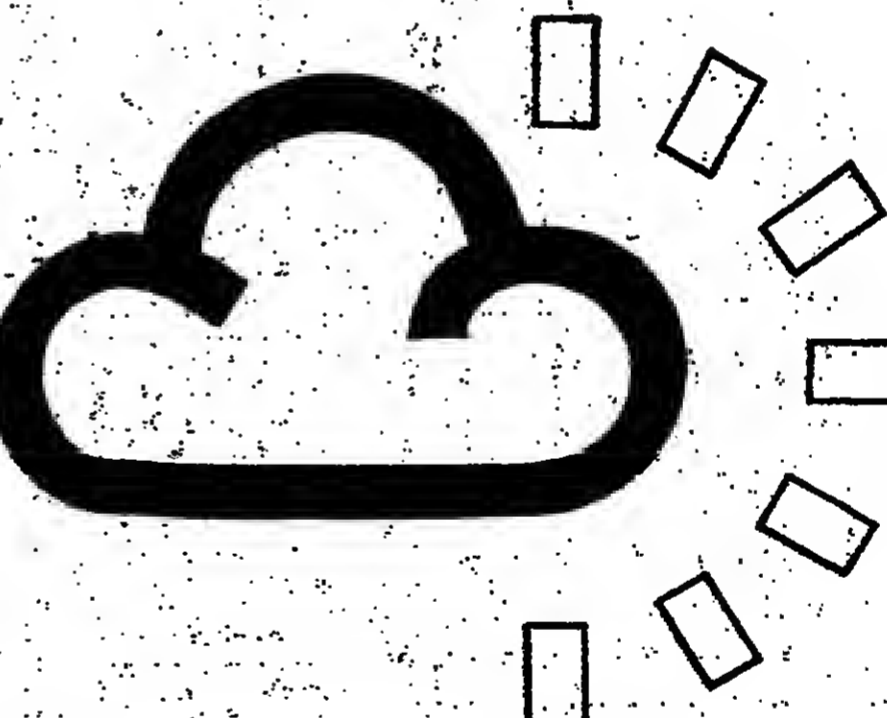
THE CHAIRMAN of Guest-Keen-Nettelbladt (GKN), Sir Archie Heath, has had two days' talks with East German economic officials on East Germany's plans to modernise its truck industry. The project to build and equip new factories at Ludwigsfelde and provide centres for a new range of trucks is estimated to be worth £540m.

Mr. Nicola Tufarelli, Fiat's general manager, was recently in East Berlin for talks with Dr. Bell, and an East German statement issued afterwards spoke of the truck project as being based on the principle of compensation, meaning that back of the factory's output of components or trucks.

No offence to the Met Office, but weather forecasting isn't the most reliable science in the world. And no disrespect to our own planning department, but the oil industry has much the same kind of problem: about the only prospect we can forecast with absolute confidence is change.

To explain, for example, why oil companies are now having to limit their deliveries, and to show who really profits from rising oil prices.

As it's turned out, the whole series has been about responding to change — something industry has always had to do. In the main, people seem to have appreciated the effort. We've had a great many comments, often from readers who don't necessarily accept an oil company's version of events as gospel.



Outlook: changeable.

Mobil

This is the last of a series on oil and business today. If you would like a copy of the series, please write to: General Manager Public Affairs, Mobil Oil Company Ltd, 5400 Victoria Street, London SW1E 6QB.

UK NEWS

Foreign bid for British Tissues

BY NICK GARNETT AND MAX WILKINSON

FOREIGN companies have begun negotiations for the takeover of British Tissues, one of the big three UK tissue manufacturers. A spokesman for Wiggins Teape, a major shareholder in British Tissues, said: "Talks are taking place with a third party about the future of British Tissues, but they are at too early a stage for us to be able to say anything about them."

Leisure group gives perks to shareholders

FINANCIAL TIMES REPORTER

BARR AND Wallace Arnold Trust, the leisure, motor and computer bureau concern, is the latest company to offer perks to its shareholders. It will give those with more than 200 shares a 7 per cent discount on package holidays, a five per cent discount on hotels and 10 per cent off new cars, it said yesterday.

Talks on Kirkby assets sale

TALKS on the sale of the assets of the former Kirkby Manufacturing and Engineering's central heating radiator business in a U.S. concern may be reopened in a few days after a High Court hearing yesterday.

CBI urges tax boost for small companies

BY JAMES McDONALD

THE GOVERNMENT would encourage the creation of more small businesses and the expansion of existing small companies if it made it possible for them to earn as good a return from risk-bearing investment as from Government stock, the Confederation of British Industry said yesterday.

Sewer system 'needs £250m a year to prevent collapse'

BY PAUL TAYLOR

BRITAIN'S 19th-century sewer system is near to collapse and £250m a year must be spent if further decay is to be avoided, Mr. Dennis Clark, now president of the Institution of Municipal Engineers said yesterday.

Britain may export more coal to Europe

By John Lloyd

PROSPECTS FOR increasing exports of coal from the UK to continental Europe are under discussion by the European Commission's economic and social committee, now meeting in London.

Homes boost for private sector

FINANCIAL TIMES REPORTER

HOUSEBUILDERS EXPECT to start work on slightly more new private sector homes this year than in 1978.

Release of public land 'will help revive cities'

FINANCIAL TIMES REPORTER

GOVERNMENT PROPOSALS to release to private developers derelict and vacant land owned by the public sector will make a "real contribution" towards revitalising inner city areas, Lord Bellow, Under Secretary of State for the Environment Department, said yesterday.

Charities criticised for political commitment

THREE CHARITIES for international relief overstepped the mark in their "political activities" last year, according to the Charity Commissioners yesterday.

Founded

While a subsidy scheme to help bring down European-produced coal to levels competitive with Polish and Australian coal has been discussed over the past two years by the EEC's energy ministers, the plans have "foundered" because the non-coal producing countries have demanded a "pay over" UK refinery policy in return for agreeing to the subsidy.

New London Saturday paper

FINANCIAL TIMES REPORTER

A NEW London paper, the Evening Globe, is to start on Saturdays following the withdrawal of the Evening Standard and the Evening News from publication on that day.

He added, however, that they had to balance the desirability of increasing circulation against the increased costs of distribution into outlying parts of London.

Hooper tribal art fetches £1.8m

THE HEAD of a staff god from the Pacific island of Rarotonga sold for £10,000 at Christie's yesterday, plus 15 per cent buyers' premium and VAT.

It was the top price in the fourth and final session of the James Hooper collection of tribal art, which totalled £1,824,755. Yesterday's sale contributed £610,813.

Table with columns: Exports, Imports, Terms of trade, Oil balance. Rows for 1977, 1978, and 1979 (Jan-May).

THE TOTAL current account deficit in the first five months of this year was £1.1bn. A deficit of about £1.7bn on visible trade was partly offset by a surplus on invisibles of just over £600m.

BI BALANCE SHEET AS AT 31ST DECEMBER 1978

Balance sheet table for Banca di Italia S.p.A. showing Assets and Liabilities. Assets include Cash in hand, deposits, and securities. Liabilities include customer accounts, bank correspondents, and capital reserves.

CAPITAL AND RESERVES: LIT. 104,300,000,000 - REGISTERED HEAD OFFICE: MILAN

Handwritten signature: J. J. J.



# Indicators point to summer boost for economy

**BY PETER RIDDELL, ECONOMICS CORRESPONDENT**

A FURTHER pointer to the possibility of an upturn in the level of economic activity during the summer is provided by new official indicators published yesterday.

The index of shorter-leading indicators—looking ahead an average of about five months to turning points in the cycle of economic activity—rose sharply in April. This was the fifth monthly rise in a row and the index is now higher than at any time since 1973.

There was also a rise for the third month in the index which is intended to coincide with economic turning points.

All this supports other evidence—for instance retail sales—indicating that the economy is picking-up since the winter. These indices have to be interpreted with a considerable degree of caution since the data are subject to revision.

The index of longer-leading indicators—looking ahead an average of 12 months to economic turning points—rose slightly during May, though it was at a lower level than during most of last year.

The small rise in this index over the past three months may be a slightly misleading guide to the level of activity in the late spring of next year. Most forecasters expect the economy to be fairly sluggish then.

Indeed, the fall in stock market prices and the rise in short-term interest rates in the past fortnight make it likely that the index of longer-leading indicators will decline during June. A similar trend may be shown when data becomes available for the financial position of the company sector.

# Traders take legal action on shopping centre plan

**BY ANDREW TAYLOR**

A GROUP of 30 city centre traders in Peterborough is to challenge the local Development Corporation in the High Court over the corporation's proposed 25m shopping centre.

The traders allege that the corporation's proposals are in breach of planning permission. They claim that the original plans for the centre have been altered, and do not now include access to their shops.

The case is expected to be heard later this summer. The corporation yesterday denied the allegations and said it would oppose the traders' action.

Earlier this year, the corporation warned that any delay could jeopardise the whole project.

The new centre would provide five major stores, space for more than 90 smaller shops and parking for 2,800 cars.

The development, which also includes plans for a bus station, would be one of the largest regional shopping centres in East Anglia.

# Plans to raise lakes' water levels to be probed

A PUBLIC inquiry is to be held to study plans by British Nuclear Fuels and the North West Water Authority to raise the water level in two Lake District lakes. Mr. Michael Heseltine, Environment Secretary, said yesterday.

The decision to "call in" planning applications for the two lakes reflects concern over the proposals.

British Nuclear Fuels wants to take more water from Westwater lake for its operations at the Windscale nuclear reprocessing plant and has applied for permission to build a weir at the lake's outlet to raise the water level.

The other main planning application to be considered at the public inquiry is a plan by the water authority to raise the water level in Ennerdale lake to meet increased water requirements in Cumbria.

# Oppenheim clamps down on restrictive trading

**BY PAUL TAYLOR**

MRS. SALLY OPPENHEIM, Consumer Affairs Minister, yesterday appealed to traders and the public to help the Monopolies and Mergers Commission investigate two anti-competitive trading practices.

The practices are full-line pricing—making a customer buy a full range of a supplier's goods and services, linking one product or service to the sales of another.

Mrs. Oppenheim said the commission's current investigation would be a "useful complement" to new powers the government would introduce shortly. Bad practices would be looked at case by case.

"I ask anyone who has views on these practices to pass them on to the commission, giving examples where possible," she said.

Such practices were "not just the concern of the business world," but everyone, because they affected the price and choice of goods and services.

The Government intends to strengthen the powers of both the Director General of Fair Trading and the Monopolies and Mergers Commission.

# Peabody Holmes wins refuse converter order

PEABODY HOLMES, with sister company Peabody AB of Sweden, has won a 25m contract to design and build plant and equipment which will convert domestic refuse into agricultural compost.

The plant, for the Swedish Mälartuna community (pop. 40,000), is supplied on a turnkey basis, and will process 250 tonnes of refuse daily. In addition to producing compost, the plant will also process combustible industrial and commercial waste for use as fuel. The installation should be fully operational in 1981.

Orders from Poland worth 11m have been won by LANSING. Two Polish companies which distribute perishable goods have ordered 51 Lansing Bagnall cold store trucks, worth 300,000. Polish ports have ordered 10 Lansing Henley and our Heron fork lift trucks, worth 2250,000. Polish cold stores have also ordered parts totalling 2250,000.

FRENCH KIER CONSTRUCTION (French Kier Group member) has been awarded a 738,000 contract by the London Midland Region of British Rail for a roof inspection platform at Pancras Station. The contract includes the design, manufacture and installation of permanent access trolleys to run on beams fixed to the roof.

SRAHAM MILLAR GROUP has secured a contract worth 200,000 to install an asphalt plant in Essex for Cawood Road Materials.

The industrial finishing division of CARRIER ENGINEERING has an order worth more than 2400,000 to supply two paint finishing lines for Coles Cranes' Sunderland factory—one for cranes up to 150 tonnes and the other for cranes up to 50 tonnes.

COSTAIN CONSTRUCTION has won a contract worth almost 250,000 to extend Water Orton School for Warwickshire County Council. The work, which includes six classrooms, a library, music room, and showers, as well as playgrounds and landscaping, has started, and is due for completion in January.

Japan has placed an order for 80 farm balers, worth more than 1280,000, which will be made at the Doncaster plants of INTER-NATIONAL HARVESTER. They are the low-profile type, shaft-driven, with a 1.5 metre wide pick-up and an all-welded bale chamber.

Orders worth 1775,000 for three Conserv-a-trieve automated parts and documents storage and retrieval systems have been placed with VICKERS' automated systems division, Swindon. France's biggest bank, Credit Agricole, is buying two systems for storing office supplies in a building just being completed in Lyon. The other order has been placed by Sperry Vickers for tools storage at Havant.

Work has started on a 5,000 sq ft factory for the Development Commission at Victoria, Cornwall. The contract, worth about 120,000, has been awarded to TELBURY CONSTRUCTION, and completion is planned for December.

MAGNATEX has an order worth more than 1100,000 to supply interior prismatic rear-view mirrors for vehicles assembled in Belgium by the Japanese Honda company.

# Benefit supplements revision urged

**By Paul Taylor**

THE GOVERNMENT was urged yesterday to simplify the supplementary benefits system before the service breaks down.

The Supplementary Benefits Commission, responding to a review of the system conducted by civil servants and published last July, suggests a wide range of reforms designed to simplify the system and give claimants more rights.

The commission said that the system is close to breaking point in some areas. Professor David Donnison, commission chairman, said yesterday that unless the system is simplified "it will be impossible to maintain acceptable standards for people in Britain who are in real need."

The main points made by the commission to the Government include a new legal structure for the supplementary benefits scheme ensuring its rules are fully published and approved by Parliament, extra help for families with children, less reliance on discretionary powers.

Mr. Reg Prentice, Social Security Minister, said yesterday that the commission's views would be considered "within the framework of the Government's wider economic policies." Response of the Supplementary Benefits Commission in "Social Assistance," HMSO 21.

# Plessey drops bid to link with American company

**BY MAX WILKINSON**

PLESSEY, the electronics group, has abandoned its attempt to form a joint venture with the U.S. General Instrument Microelectronics to take over its integrated circuit operations.

The indications are that Plessey now intends to go it alone in this expensive and competitive sector of the electronics industry.

After a turbulent time which included talks with the National Enterprise Board and GEC about selling off its integrated circuit operations, Plessey has hired Dr. Melvin Larkin, chairman of Motorola (UK), to head its components division.

It is unlikely that Dr. Larkin would have accepted the job without an undertaking by Plessey that it intends to provide substantial funds to make a success of the integrated circuit business.

Last year Plessey offered the business, which is estimated to have had sales of about 50m, to GEC, but a price could not be agreed between the two companies.

Shortly afterwards, GEC announced that it had hired the head of Plessey's components division, Mr. Derek Roberts.

Mr. Roberts has become head of GEC's Hirst Research Centre which has included the company's relatively small integrated circuit operations.

The future of Plessey's integrated circuit plant will probably not be decided in detail until Dr. Larkin takes up his new job next month.

One of the main dilemmas facing him will be what to do with the new magnetic bubble technology which Plessey has developed in competition with some of the leading microelectronics companies in the world, including Texas Instruments, Rockwell International, and Intel of the U.S.

Bubble memories are capable of storing an extremely high density of computer data in a very small space. Intel and Rockwell have already announced a component capable of storing 1m items of information on one small component.

If Plessey wishes to stay in the race against these very strong rivals, a substantial investment will be needed to produce the memories in high enough volume for the international market.

# Building leaders fear Budget cut effects could prove greater

**BY ANDREW TAYLOR**

BUILDING INDUSTRY leaders fear public spending cuts on construction work could be deeper than those announced in the Budget.

The National Federation of Building Trades Employers and the National Council of Building Material Producers fear that local authorities, faced with an effective 235m reduction in Rate Support Grant, will cut capital spending on construction work rather than spread the load.

Building leaders say that this would come on top of the capital spending cuts announced by the Chancellor in the budget.

The NFBTE says that between 15 per cent and 20 per cent of the 11bn spending cuts announced by the Chancellor will come from capital construction programmes.

Critical

It said that the budget measures were inadequate and had failed to encourage private sector demand. This was particularly important if the private sector was to replace work lost through public expenditure cuts.

The NFBTE was particularly critical of the 255m cut on water industry spending given the poor state of the country's sewerage network.

The Federation said that the key issue facing the industry was the reaction of private sector demand over the next 12 months. This area has been steadily recovering, it says, but would now be tested by the tight squeeze announced in the Budget.

It said that higher interest rates would reduce funds available for house purchase, increase building costs and reduce incentive for capital investment in construction. The rise in VAT would also increase the cost of home improvement work.

The National Council of Building Material Producers also fears that public sector construction cuts for 1979-80, officially stated at 255m, may be even higher as a result of the reduction in Rate Support Grant.

The BMP in its latest information bulletin says that "public authorities faced with tough cash limits may make further cuts in capital expenditure rather than reducing inessential current spending."

# Nissan to aid Japanese studies at Oxford

**BY MICHAEL OXON, EDUCATION CORRESPONDENT**

JAPANESE STUDIES at Oxford University will be extended with the help of Nissan Motor, maker of Datsun cars and the Japanese motor industry's largest exporter to Britain.

The size of the endowment, which will include a new professorship, is not being disclosed until the official announcement is made in Tokyo this morning.

But sums of about 11m each were donated to the London School of Economics last year by the Toyota group—the only Japanese motor company bigger than Nissan—and the Sunbury drinks concern.

Unlike the Toyota-Suntory gift which was to establish an international centre for economics and related studies, the Nissan foundation is understood to be specifically for the development of Japanese studies in the UK.

Oxford has been chosen for the development, although when Nissan and the Japanese Government first mooted the scheme last year, the Department of Education and Science asked that the endowment be distributed among two or three British universities including, at least one recent foundation.

# How do you address Catherine the Great?



**With the Postcode of course.**  
You're not properly addressed without it!

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UK NEWS

Ford decides to retain its tractor operations

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

FORD tractor plant employees have been told that the business is no longer up for sale. And the U.S. Board has approved the most ambitious new product programme for 15 years.

Ford studied several offers for the tractor operations after it became known unofficially it might be a willing seller.

Ford decided to retain the sale of the tractor operations. The company said that the future high capital expenditure burden had meant it was exploring several alternatives to reduce spending.

Lower used car prices forecast

By Kenneth Gooding, Motor Industry Correspondent

THE BRITISH Car Auctions group predicts lower second-hand car prices later this year owing to a flood of ex-lease vehicles on the market.

Mr. Michael Richardson, managing director of BCA, said the boom in vehicle leasing which followed a relaxation of regulations last June, could soon create problems for used-car dealers.

Competitive

Another indication that the UK used car market is likely to become more competitive over the next few months has been given by the Hertz rental concern.

Hertz is raising the warranties on cars offered for sale at its retail outlets in Britain to 24 months or 34,000 miles from 12 months or 12,000 miles.

Southwark considers new site for £28m town hall

BY PAUL TAYLOR

THE London Borough of Southwark may select an alternative site for its controversial new town hall.

Plans to build the £28.5m town hall complex at Peckham were completed earlier this year, in spite of opposition from local ratepayers and a split in the ruling Labour group on the council.

Ethnic groups to grow

PEOPLE OF New Commonwealth and Pakistani origin are likely to form about 5 per cent of the British population in 1991, according to Government statistics published yesterday.

The Office of Population Censuses and Surveys figures are based on a range of assumptions about immigration, birth and death rates and show the New Commonwealth and Pakistani ethnic origin population in Britain increasing from 1.042m in 1976 to between 2.471m and 2.938m by 1991.

Taxis up 10%

TAXI FARES in Norwich went up by 10 per cent yesterday through higher VAT and petrol prices. Drivers had asked for a 25 per cent rise. The city council will review their fare structure before allowing more.

State puts £100,000 in ladders

By Our Welsh Correspondent

THE WELSH Development Agency has celebrated its reprieve by the Government with a £100,000 investment in a new lightweight ladder system which is being developed in North Wales.

The investment is in Pak-A-Ladder of Gaerwen, Anglesey. The system can be assembled into many shapes including a step ladder and trestles.

Mr. Peter Hughes, the inventor and company's managing director, plans to apply the idea to scaffolding and workbenches.

Mr. Nicholas Edwards, Secretary of State for Wales, told Parliament recently that there would be no radical change in the role of the WDA, the Welsh equivalent of the National Enterprise Board.

The Government would introduce legislation to limit the agency's powers to buy into profitable companies and to ensure it did not hold equity shareholdings on a permanent basis. He also gave an assurance there would be no change in the role of the WDA's country cousin, the Development Board For Rural Wales.

Buoyant cash level for Lakes

THE LAKE District Special Planning Board had an excess of income over expenditure of £98,000 in 1978-79, the Board's finance committee was told yesterday.

Gross expenditure was £1.43m compared with income of £1.33m. Capital expenditure on development, forestry and access was £201,647. Revenue expenditure totalled £1.13m, a third of which was for development, forestry and access, a third for information and publicity and a third for planning services and administration.

North Sea oil benefits 'hit trade balance'

BY OUR ECONOMICS CORRESPONDENT

MORGAN GRENFELL and Co., the merchant bankers, has criticised official North Sea oil policy for turning a singular benefit into a major problem which threatens the competitive position of the UK manufacturing sector.

In the bank's latest economic review, Mr. John Forsyth, the chief economist, argues that this reversal is because of an unwillingness to consider the impact of North Sea development on the structure of the UK balance of payments.

The three main elements of official policy since 1976 have been firm control of the money supply, a large public-sector borrowing requirement and the maintenance of capital controls. These have combined to ensure that the impact of the improvement in the UK's oil account has led to a deterioration in the non-oil current account.

A substantial rise in the real exchange rate has affected trade volumes to such an extent that a rise in consumption of over 7 per cent has been consistent with a fall in manufacturing output.

Because official policy was not prepared to contemplate either a deterioration in the private capital account or heavy official intervention and debt repayment, the burden of adjustment has fallen on the UK manufacturing sector, for the only uncertainty has been how far the exchange rate must rise before market share is lost.

Mr. Forsyth argues that the problem threatens to become more acute because of the crude oil price rise. Consequently, the extra benefit to the balance of payments from North Sea oil this year now looks like being around £3bn, compared with earlier estimates of £1.2bn. This could have a substantial impact on the sterling exchange market.

If official intervention is limited to technical operations, the market imbalance from oil production must drive sterling to a level where there is a substantial short-term trading loss. Mr. Forsyth says there is a strong case for official intervention to smooth the impact of

the jump in value of oil production on the exchange market and the structure of the economy. One problem is that intervention may be financed by the creation of money. While the underlying domestic borrowing requirement remains large, the authorities will not be in a position to offset North Sea oil production. By intervention, either through reserve accumulation, in the way the German authorities offset their current account surplus, or via official debt repayment.

List prepared of EEC laws affecting trade

A DIRECTORY listing all EEC laws affecting trading standards has been prepared by the Institute of Trading Standards Administration for the benefit of the 1,500 trading standards officers in England and Wales.

The directory is believed to be the first of its kind and a supplement is to be provided for Scotland and Northern Ireland.

The directory lists 529 pieces of law, of which 246 are directly attributable to Britain's membership of the EEC. A further section of the directory will detail laws, regulations and directives being prepared.

Trading Standards Legislation: Institute of Trading Standards Administration, Westminster Council House, Marlybone Road, London, NW1, £2.

Bob Monkhouse acquitted on 'pirate film' charges

BOB MONKHOUSE, the comedian, was acquitted on "pirate film" charges at the Old Bailey yesterday, after Judge John Leonard ruled there was insufficient evidence against him.

The judge stopped the trial after three days of legal argument in the absence of the jury. He told them there was no clear evidence that Mr. Monkhouse, 49, of Eggington, near Leighton Buzzard, Bedfordshire, intended to cause economic loss to film companies by defrauding them of hiring fees.

A second defendant, Anthony Peter James Scott, 33, of Woodhurst Road, Acton, West London, who faced similar charges, was also acquitted on the judge's direction.

Judge Leonard told the jury he was concerned whether there was evidence as opposed to suspicion or guesswork. "The conclusion I have come to in relation to both defendants on all counts is that there is no such evidence." The allegation against both men was the serious criminal offence of conspiracy to defraud. The purpose of such an operation had to be

to cause economic loss. The only evidence that Mr. Monkhouse did anything which might have been to the economic detriment of film companies was that he loaned a 16 mm copy of the James Bond film "Goldfinger" to his friend Terry Wogan, the radio and television personality. Mr. Wogan showed the film at his son's birthday party.

"That is not the sort of evidence which, in my view, justifies you coming to the conclusion that Mr. Monkhouse is guilty of conspiracy to defraud film distributors of their hiring fees," the judge said.

No evidence

He could not find evidence which he could "safely and conscientiously" leave in their hands, or on which they could justifiably be asked to convict on serious criminal charges.

The judge said the Crown had conceded that if Mr. Monkhouse was not guilty, it could not invite the jury to convict Mr. Scott. He said: "There are a number of intangibles in this case. There is no clear evidence

on which you would be entitled to conclude the dishonest or the criminal interpretation to be the right one.

"That being so, it would mean you as a jury would have nothing to work on."

The judge said that a letter which Mr. Monkhouse wrote to Jersey Customs contained "misstatements" about the contents of packages of film arriving at the airport. But there was no evidence Mr. Monkhouse knew the letter to work on.

He knew it contained a pack of lies, he was taking a most extraordinary risk," the judge said.

The judge acceded to an application by Mr. Anthony Hidden, QC, and awarded costs to Mr. Monkhouse, who had pleaded not guilty to five counts of alleged conspiracy to defraud. Mr. Scott pleaded not guilty to two counts.

Both were alleged to have conspired to defraud Columbia Warner Distribution Ltd, the Film Distributors' Association Ltd, 20th Century Fox Film Co. Ltd, and other film distributors of hiring fees between January 1976 and October 1978.

New Issues June 20, 1979

All of these bonds having been placed, this announcement appears for purposes of record only.

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World markets as they move.

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UK NEWS - LABOUR

Low used prices for...

ICI 'final' offer of 16 1/2% rejected by manual workers

BY NICK GARNETT, LABOUR STAFF
DIFFICULTIES in pay negotiations for the chemical industry appeared to worsen yesterday...

BL parity plan may upset blue-collar men

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT
BL CARS has put forward pay proposals which it hopes will head off unrest among its 20,000 staff...

Railmen told to act on fuel

ALL TRANSPORT unions should mount pressure to ensure that there will be enough fuel for essential rail and road services...

Prestcold men to accept closure

BY RAY PERMAN, SCOTTISH CORRESPONDENT
WORKERS AT Prestcold's two Glasgow factories, which are threatened with closure in September...

oil balance

Chocolate plant hit by strike
A 24-HOUR strike halted chocolate production at the Cadbury factory in Bourneville, Birmingham, yesterday...

Big pay rise 'would hit Tube fares and services'

BY OUR LABOUR STAFF
LONDON TRANSPORT Executive warned yesterday that significant cuts in the Underground services and heavy fare increases were likely if pay claims by three rail unions of 17 to 20 per cent were met...

Dockers' dispute halts Liverpool port freight

THE PORT of Liverpool was at a standstill yesterday apart from local traffic areas where two stevedoring companies are operating...

Court move to end truck company blacking

INDUSTRIAL ACTION by members of the Society of Graphical and Allied Trades was causing substantial damage to PBDS (National Carriers), the High Court was told yesterday...

EDUCATIONAL

Westbury House International School for Boys
Some vacancies occur for summer school students July/August 79...

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COMPANY NOTICES

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRS) IN SUPPORT SHIPMAN CO. LTD.
AGENDA
1. Approval of balance sheet for March 31 1979...

PUBLIC NOTICES

STRATHCLYDE REGIONAL COUNCIL
£50,000,000 bills issued up 20th June 1979 at 12 1/2%...

SECRETARIAL APPOINTMENTS

SAUDI ARABIA P.A. to M.D. £10,000
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When Mrs Marion Gibson first planned the evening's meal, nothing could have been further from her mind than hot-plate flambé.

In fact, the family dinner that night had started life as steak and chips.

But, by 6.20, there had been a dramatic change in the menu.

Moments earlier, the oil in the chip pan had been bubbling away quite merrily: so it was with every confidence that Mrs Gibson turned her back to lay the table.

It was then that the oil reached boiling point and instantly caught light.

Within seconds the entire cooker was ablaze.

Thankfully though, the fire brigade arrived in time to drown the kitchen, before the flames had a chance to take hold in the rest of the house.

The following morning, with the gloomy prospect of weeks of Chinese takeaways ahead of them, the Gibsons took little comfort from the fact they were insured.

After all, as everyone knows, it takes more than a completed claims form to restore life



# The following day, we gave Mrs Gibson another chance to burn the dinner.

to some sort of normality after a serious fire.

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At Commercial Union, we pride ourselves in the knowledge that we have these sort of people working in our midst. As the Gibsons were soon to discover for themselves.

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No sooner had he assessed the damage, than he agreed to a settlement. On the spot.

That afternoon a second surprise appeared on the

Gibsons' doorstep.

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ASSURANCE

Though Mrs Gibson would doubtless disagree with us.

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Robert Oakeshott on how the successful establishment of the Dartington glass-blowing company in Devon may inspire a similar operation in Spain.

Devon re-exports Swedish skills

AN UNUSUAL two-way traffic between Devon and Spain is likely to develop in the next few years. For at a series of meetings held recently in Torrington, Devon, the Dartington Trustees, owners of Dartington Glass, and our visitors from the industrial co-operatives centred on Mondragon in the Basque country of northern Spain gained much inspiration from each other.

From its inception in 1967, it has depended—and continues to depend today—on the skills and techniques of a core of Swedish master-glassblowers brought by the Dartington Trustees from the Smaland glassmaking district of southern Sweden. There were 20 Swedish glassblowers when the enterprise started and their numbers reached a maximum of 30 two years later. There are still 13 in today's total labour force of 200 and though the first of the locally-trained Devonians has lately achieved the grade of master glassblower, most of the remaining Swedish contingent is expected to stay on, partly because they simply like the place.

The top management is also Swedish. It started that way and it remained so when Mr. Jan Mollmark took over as managing director some 18 months ago. He has three other Swedes in his small management team. Altogether the whole project is an astonishing

example in contemporary Europe of a successful industrial transplant and, of course, of imaginative rural job creation. Just under half the workforce are members of glass-blowing teams, making the high-quality glass with which Dartington Glass has established its reputation. There are seven or eight to a team and all are skilled. Each team has a deputy master, who is highly skilled and a master, or "maestro", who is even more so. The Basque visitors were clearly astonished to hear that even in Sweden, and in families with long glass-blowing traditions, it would take at least seven years to acquire the skills and command the mystery of the craft which a master must have. In the Basque country, as it did in Devon, it would almost certainly take longer. Furthermore, older apprentices could not be expected to learn faster; quite the opposite. "No one can become a master who starts to learn the craft after 20. Sixteen or even 15 years are the best starting ages."

This long training time can only make the initial decision of the Dartington Trustees seem an even bolder stroke of venture capital initiative-taking, or a more reckless one, depending on outlook. John Taylor, the trust's balanced, but far from

excessively cautious chief accountant, is thankful that he wasn't in his present job at the time because "I would have told them they were crazy." And it is true that seven years elapsed before a significant return on capital started to be shown. However, Dartington Glass has now been in reasonable profit for the past five years and was solidly so in 1978 when pretax profits of roughly £250,000 were earned on sales of £2.3m.

But there are non-financial returns from Dartington Glass as well. The feeling of well-being in the place where the glassblowing teams go about their business around the furnaces is especially marked. No doubt the youth of the workforce—average age 28—is a factor. So is the level of wages paid, almost certainly the highest for factory work in Torrington. But the crucial factors are more likely to be a real pride in the craft, and the fact that the work takes place in small teams and is not machine paced. Whatever the original intention of the Dartington Trustees they can hardly feel dissatisfied with their choice of enterprise. For glass blowing is one of the few craft activities which are best done in small teams and on the scale of a "manufactory."

Craft pottery, or craft book binding, for example, differ from glass blowing in these two vital respects.

The visitors from Mondragon seemed to accept, at the end of a long day in Torrington, that there are no short cuts in building up an indigenous team of master glass blowers. However, what also became clear is that there are possibilities for using intermediate skills associated with less high quality products. Roughly 10 per cent of Dartington's output is now accounted for not by blowers but by centrifuge glass.

The skill requirements for this work are less exacting. One "gatherer" is needed per furnace but a good trainee blower might achieve the necessary standard in a year or so. And although a "maestro" figure would probably be needed within the management team of a centrifuge operation, the number of imported personnel needed to start such an enterprise from scratch might well be no more than two—compared with Dartington's original 20.



Jan Mollmark (right) Swedish managing director of Dartington

themselves. There must, therefore, be a real possibility that Torrington's population will one day include a handful of trainee Basques as well as Swedes. On the other hand it also seemed clear, after the recent meetings in Devon, that the traffic is not all in one direction. Lord Young is working hard to persuade his fellow Dartington trustees to encourage the formation of Mondragon style co-ops in Devon. He has already persuaded them to start an operation to promote small businesses and supply venture capital for the South Western region in general and the North

Devon district in particular. It will open an office in Barnstaple on September 1. Though not allowed by the Bank of England to use the word "bank" in its title—it will probably be called simply "Dartington Company"—it will offer some, if not a complete range, of banking services. It is no secret that this new Dartington initiative has been largely inspired by the Trustees' admiration for the C.I.P. A group of the Trustees, including Lord Young, visited Mondragon last year.

It is now expected that there will be a second Dartington visit to Mondragon during the next few months and that the party will include one or more of the staff men who have been recruited to manage the prospective Barnstaple venture. Lord Young will be hoping that they will return impressed by the good state of the industrial co-operatives they see there. Lord Young is also hoping that just as some highly specialised glass making know-how may eventually be transmitted from Torrington to Mondragon, so the opposite direction, some specialised metal working and engineering know-how might be transmitted from the Basque country in Devonshire; it is in metal working and engineering that the Mondragon co-ops have gained their highest reputation.

Business students fail to bridge the Atlantic gulf

enne St. Gallen Graduate school, Switzerland, one of Europe's leading business schools. This year's International Management Symposium, attended by 200 students and 10 businessmen from all over the Continent, plus 23 university professors, politicians and 35 vets. Subject: "Strategies for corporate competitiveness," with sessions on such topics as "Liberal vs Social Economic Order"; "Can our era survive without an Ite?"; "Social responsibility: a liberal economic setting." Reporter: Christopher Lorenz

every student was a would-be Danny-the-Red. Another reason for the relatively restrained tone of most of the discussions at St. Gallen is that the vast majority of student participants are studying business, and are therefore already on the executive ladder, with all its attendant values. So when tempers became decidedly frayed on the final day of this year's symposium, it was a considerable surprise. The subject of the particular debate was the role of consumer and community pressure groups, and government regulations, in the business environment on both sides of the Atlantic. The antagonists? On the one side, almost on her own, was Professor Anna Schwartz, best-known in Europe as Milton Friedman's academic collaborator in monetary and economic studies, but on this occasion applying her "free

market" principles to the role of "social responsibility groups"—and coming out with the provocative statement that the groups' basic doctrine "is alien to a liberal economic system," and "has connotations of the Klu Klux Klan." Under her particular attack was one of the aims of these pressure groups, increased government regulation of such things as the safety characteristics of cars, together with their exhaust emissions and their fuel consumption. On the other side were the massed ranks of the students and Professor Schwartz's fellow panellists from the Netherlands and Switzerland; a professor, a lawyer, and two businessmen. None of their earlier comments on business strategy, personal incentives, tax rates and the rest had suggested the slightest hint of "creeping Socialism"—as many Americans of Prof. Schwartz's persuasion would describe the argument that government regulation, encouraged if necessary by consumer lobbying, was necessary to keep the business community on the social straight and narrow. Yet the two Dutchmen and their Swiss colleagues pointed to a mass of examples to support this case, including the energy-saving benefits of high European taxes on petrol, the need for tough drugs controls to avoid a new thalidomide disaster, and—invariably—the need for tougher official safety standards in nuclear power in the light of the Harrisburg accident.

The ensuing debate served several worthwhile purposes. It reminded the Europeans that the Atlantic still represents a major gulf in conceptions of the "free market," and that the "social market economy," that overworked term (especially in Germany) actually means something different from the classical "market economy" which Prof. Schwartz seemed to espouse. The discussion tested some of Prof. Schwartz's theories—such as that consumers were perfectly free to reject products whose attributes they disliked; they did not need to be restricted in their choice by government regulation. To which an irate German student responded from the floor: "How was I to know, until experts told me, that the level of lead in petrol was harmful, and what choice of alternatives did I have until my government intervened?" But the debate was also challenging to the Europeans, raising the question of whether the business community is doing enough to rebut the criticisms made by the consumer and community groups. Business gives

the impression of being "guilt-ridden, sharing the critics' conception that a society which has displayed enormous ingenuity in developing new resources and technology, from which rich and poor alike have benefited, is not a good society," complained Prof. Schwartz. She drew considerable applause when she called on business to do more "answering back." Finally, and perhaps most important, the debate prompted the European participants to question the long-term logic of increasing "social responsibility." In business decision-making, and the sense of steadily encroaching government regulation.

Some of her arguments on this theme were hotly disputed, but by no means all of them. For example, she illustrated her point that governments lacked the foresight to make the right regulations by quoting supposedly "pro-consumer" regulations in the U.S. which had quickly been overturned by very real consumer opposition (car seat-belt laws, for example). To which the Dutch professor, Dr. Jan Kreiken of Twente University, retorted that just because certain regulations were ill-advised, it did not mean that regulation per se was wrong. But Prof. Schwartz had a more far-reaching example. The 1973 engine emission standards had not only diverted engine

development from promising energy-saving directions, they had also effectively impaired the freedom of corporations to use their assets in what they considered the best interests of stockholders and creditors, she suggested. Changes in the rules created uncertainty about their property rights, and reduced the incentive for private investment in long-term projects. Future economic growth and the improvement of welfare could only be harmed if people failed to realise the cost of the activities of the advocates of "social responsibility," she went on. The only way it could meet the costs of the advocates' demands would be to increase

costs and prices, with a harmful effect on competitiveness and employment. Gaining still further, she warned that corporate attempts to behave in accordance with demands for social responsibility might bring about the demise of the corporation as an organisational form, because of a downward spiral of inability to raise new capital. If the corporation wants to survive, it should exert more influence on the design and content of government regulations, she concluded. And "if business is to remain substantially in private hands, distinct from the State, it cannot and should not accept general responsibility for problems outside its traditional economic concerns." Strong stuff, and new food for thought in Europe from the influential Friedmanite camp.

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Festival Hall

Berlin Philharmonic

by DOMINIC GILL

The South Bank affluence, gaping crowds at the artists' entrance, stall seats at £20 each...



Robert Tear with Donald Gramm (right) and Leonard Burt

Covent Garden

The Rake's Progress

by MAX LOPPERS

The Royal Opera, which rigorously contended for the world premiere of Stravinsky's opera in 1951, has at last its own first staging...

deceitfulness. (A minor foolishness: what on earth is the point of denying the brothel scene a visible cuckoo clock?)

Television

In the name of the Father

by CHRIS DUNKLEY

In June 1962 Private Eye published one of the most memorable of all its photo-caption covers. The occasion was the opening of the new Coventry Cathedral...

bring them into disrepute with the thinking public since they clearly have as little to do with the sinews of any real organised religion—faith, ethics, discipline and so on—as has the Donkey's Mustard.

Theatre Royal, Drury Lane

A World of Wisdom

by MICHAEL COVENEY

The house for Norman Wisdom's show on Monday night was more than this. It was positively aggressive. Even the on-stage hand were nodding as if as the little man, who resembles a dope jockey in pore ways than one, battled against the insuperable odds of a bullying straight man, Tony Payne, a rude brass section and a massive public indifference.

Two Sadler's Wells premieres

Sadler's Wells will follow its season at the Edinburgh Festival with two one-act ballets on September 9: Kenneth MacMillan's 'Flower Song' and David Bintley's 'The Day After Tomorrow'.

Consider, for instance, Comic Sunday at Christchurch, the series from Southern Television which has replaced the syrupy Stars On Sunday. It opened last week with popular singer Vince Hill dressed in an emerald green safari suit and grey roll-necked woolly, with a radio mic in his hand, tapping his foot as he delivered one of the catchiest little numbers for which he is well known.

'The Family Reunion'

The Family Reunion, by T. S. Eliot, in the production by Michael Elliott for the Manchester Royal Exchange, opened last night at the Vaudeville Theatre. Starring Edward Fox.

Elizabeth Hall

Twelve cellists

In an ideal world, each orchestra would sprout subsidiary chamber ensembles, quartets, trios, to refresh and maintain the players' corporate standard. The Vienna and Czech Philharmonics boast a number of fine string quartets in their ranks, and Berlin and Vienna each have famous octets (based on the instrumentation of Schubert's work). Less predictable, and so more unexpectedly enjoyable, the 12 cellists of the Berlin Philharmonic have been giving recitals as a chamber ensemble since 1972.

Complete Berio Sequenzas at Bart's

The first UK performance of the complete cycle of Luciano Berio's eight Sequenzas is one of the features of the second St. Bartholomew's Festival of 20th century music from July 8 to 14.

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# FINANCIAL TIMES SURVEY

Wednesday June 20 1979

## European Vehicle Components

### Suppliers face a major challenge

by Kenneth Gooding  
Motor Industry Correspondent

IR TERRY BECKETT, chairman of Ford UK, suggested recently that demand for smaller "world cars" in the U.S. did not present much of an opportunity for Europe's vehicle manufacturers but opened up a new era for automotive component companies.

His argument was that the rates would remain faithful to the main to its own particular style of car, a vehicle which used America's road system.

America and European rivers demand very different characteristics from their cars in terms of ride, handling and interior trim. Therefore, the chances that American cars might make inroads in Europe after they had been shrunk in size and made more economical to use were pretty remote.

And, if they were realistic, European car companies should expect to make further progress in the States—perhaps the reverse might be true because the U.S. manufacturers would be offering the fuel economy which in the past had been a major attraction of the imports.

However, the two dominant U.S.-based multinational car groups, General Motors and Ford, which had been thinking in terms of building vehicles suitable for all the European markets—the "European car"—were now thinking in terms of "world car" one which could be assembled in several different geographic centres.

well-placed to supply assemblies and components for the "world cars." Sir Terry suggested that the European groups had a good opportunity to supply engines, transmissions, back axles and so on—the valuable heart of the motor car.

He might also have pointed out that the "winners" would not only be serving the mature U.S. and European markets, but the developing countries. An indication of the potential in these territories was given in a 1978 Economist Intelligence Unit report which identified 67 vehicle assembly plants in South-East Asia, about 36 in Latin America (not counting Brazil or Argentina) about 32 in the Middle East plus ten projected.

At the same time the Japanese market—which could be described as semi-mature in that there are only 172 cars per 1,000 population compared with about 300 per 1,000 on average in the major European markets—is already showing signs of opening up for imported components.

### Japanese

The Japanese undoubtedly will be in the forefront of the competition to win the "world car" component contracts in the 1980s but will have to make greater attempts to balance their trade in automotive exports and imports, in the process.

Another factor which the independent European component makers must bear in mind is that General Motors and Ford both manufacture many of their own components in Europe and undoubtedly will use these for the smaller American cars (and U.S.-made components suitable for European cars) whenever possible.

So, although the opportunities at the beginning of the 1980s will be enormous, the risk potential is pretty large too.

Competition in the European components market is already fierce. There are about 290 principal component manufacturers supplying both original equipment and replacement parts. According to many know-

The growing demand for smaller "world cars" in the 1980s also brings with it great opportunities for European vehicle component manufacturers—but fierce competition, particularly from U.S. and Japanese companies, may force European suppliers to consolidate resources for research and production in order to meet the new international challenge.

ledgeable observers, this will have to change.

A report from General Motors' European components organisation, AC Delco, pointed out that in the U.S. the three top car manufacturers produce 8m vehicles annually and there are about 30 major component suppliers. On the other hand, in Europe there are 12 major manufacturers producing only slightly more vehicles and buying from ten times as many suppliers.

It is widely forecast that by the end of the 1980s there will be only five major car manufacturers in Europe and the merger last year of the Peugeot-Citroen group with Chrysler's European operations gave an indication of what will almost certainly happen as automotive groups amalgamate.

Peugeot, Citroen and Chrysler will continue to design and produce their own ranges. But all new cars will have to be based on a common supply, or pool, of components.

If the pattern is repeated with other European car makers, the components industry will be forced to consolidate—particularly as the pressure is increased by the trend to smaller and more economical cars in the U.S. using similar components to those on European vehicles.

### VALUE OF EUROPEAN TOTAL CAR COMPONENTS MARKET BY COUNTRY

Country	1975	1977	1979	1981	1983	1985
Germany	1927	1993	2002	2124	2279	2365
France	1394	1277	1846	1880	1990	2075
Italy	1330	1381	1440	1527	1490	1703
UK	1232	1377	1385	1365	1482	1549
Spain	428	544	702	782	879	985
Sweden	265	259	270	287	304	322
Others	1019	1110	1150	1257	1471	1504

Source: AC Delco Estimates

to develop a new model and get it into production. When you remember that 35-40 per cent of its value is going to be in bought-in components you are talking about research and development on a huge scale by suppliers and that means they have got to be big."

### Viewpoint

Not everybody in the industry would agree with those sentiments. For example, Mr. J. Scott Ward, formerly with the UK components group Guest Keen and Nettlefolds, and now a consultant to the motor industry, remarked in the Economist Intelligence Unit report that the medium-sized companies are likely to have the greatest successes in the future.

He said a company "needs to be sufficiently small that

vital policy and other decisions can be taken with the minimum of delay, while implementation, in the event of a positive decision, can be kept under surveillance from a responsible level until satisfactory completion.

"In large companies there are normally several interests to be consulted before even joyful decisions or action can be taken, while for small companies the venture capital, back-up resources and dearth of highly-skilled and therefore well-paid specialists may be insuperable problems."

Of course, restructuring of the European industry has been going on for many years. The U.S. groups operating in Europe have been enlarging their interests considerably by buy-out suitable UK companies. The recently-completed bid by Rockwell International for Britain's Willmot Breedon is

just one of several examples during the past two or three years.

In Italy the Fiat component companies have been organised into a more cohesive force as part of the big upheaval in the Fiat group's structure.

In France the Government has been prodding parts of the components industry into shape. The country has a comparatively weak industry, a legacy from the way it was kept fragmented because the vehicle assembly groups preferred it that way. But now Ferodo has been used to create an electrical motor components group capable of offering the most advanced equipment as well as more mundane components such as alternators and starter motors.

What has been conspicuously absent so far, however, is cross-frontier mergers between European groups. Guest Keen and Nettlefolds tried to lead the way by seeking control of the Sachs Clutches group in West Germany, only to be foiled by the German Cartel Office.

Undoubtedly, it will take a great deal of time—or extreme commercial pressures—to break down the nationalistic attitudes of the individual countries which make up the EEC.

However, necessity is forcing British components manufacturers to look outside their native territory because vehicle output has shrunk so far so fast. Vehicle manufacturers prefer supply lines to be as short as possible and it was therefore to be expected that the British components groups would have

to build some facilities near the Continental car and truck assembly plants which are expanding rather than contracting.

In Italy Fiat has had such a dominant position for so long that it, too, must look outside its own country for any large-scale expansion.

All this is taking place against a reasonably buoyant background and a generally optimistic feeling about vehicle sales in Europe.

In spite of mounting concern about oil supplies, the car makers are confident that the modern European will give up practically everything else in the way of consumer durables so that he might still have his private transport.

For example, Ford is convinced that by 1985 the Western European car market will have risen from just over 10m new registrations in 1978 to 11.5m.

And the latest industry survey by the London-based Economic Models Group suggested that the EEC's car-owning population would grow by 3.3 per cent a year from just over 50m at the end of 1978 to more than 95m by the end of 1984.

### Value

The commercial vehicle makers are also convinced that the value of road transport to the economy will continue to be recognised. Economic Models forecasts an average annual growth rate of 2.5 per cent for commercials, taking the new registrations of vans and trucks of over 2 tonnes gross weight from 603,000 in 1977 to 714,000 in 1984.

AC Delco's forecast is that the European market for primary components (those which are fitted to the vehicle without further manufacture) should rise from the current estimated of £8,796m to £10,505m at current prices by 1985.

The main growth markets are for components which used to be rarely fitted, often only as luxury extras, but which are now being specified as "standard" more often. Obvious ex-

amples are automatic transmission, power steering, air conditioning, electric window regulators and electronic ignition.

However, the main pressure currently being put on the component makers by the vehicle assembly groups has to do with the production of components which do the traditional job but weigh very little. After all, the average family saloon has from 15,000 to 20,000 component parts and up to 40 per cent of its value may be in primary components bought in by the car maker from outside suppliers.

So these suppliers can play a big part in reducing the total weight of the finished car—the method being used to earn better fuel economy.

The drive for fuel economy is not just a fashion. In the U.S. legislation insists that the manufacturers cut average fuel consumption across their model ranges in 28.7 U.S. mpg by 1985 by gradual steps from today's average of 18 U.S. mpg.

Europe almost certainly will not introduce legislation but commercial producers and voluntary undertakings are forcing the car and truck makers towards similar goals. Already in West Germany manufacturers have undertaken to cut fuel consumption in 1979 vehicles they produce by 10 per cent for cars and 5 per cent for trucks. And in the UK a similar pledge by the manufacturers should soon be made formally to the Department of Transport.

The dominant theme at last month's international components exhibition—STEX—at Geneva was weight-saving. What has been achieved already was dramatically illustrated by

Aluminium Perching, using a huge pair of scales. On one side was a cast-iron engine and block, two pieces weighing 60 kg. On the other an aluminium engine and block (as used by Renault), wheels, a bumper and other items—in all 10 pieces, weighing less than 60 kg. The message was clear: Europe's component manufacturers will make sure that the cars of the future are much lighter but still big enough for comfort.

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EUROPEAN VEHICLE COMPONENTS II

UK suppliers seek overseas markets

THE THREAT posed by the risk of another oil shortage...

the car importers' continued advance in the early months of this year.

Foreign manufacturers already have captured well over half of the sales in a buoyant car market.

One area of the UK assembly industry from which components suppliers have been able to find some encouragement is the performance of commercial vehicle manufacturers.

Auto Castings subsidiary shows how widespread must be the adjustments that suppliers have to make in response to the vehicle assemblers' problems.

who have got the lion's share of market do not, through a policy of enlightened self-interest, increase their purchase of UK components...

Mr. McGrath is also critical of the "unofficial" barriers to UK sales overseas.

Also optimistic is Mr. Charles Davidson, commercial director of Lucas, a company that has made strenuous efforts to break into the Japanese market.

Uncertainty

Not any uncertainty about the future is not confined to BL. While the takeover of Chrysler UK interests by PSA Peugeot-Citroen has been generally welcomed...

Criticism

His viewpoint is shared by many other component suppliers who also point out that the strength of sterling has made it more difficult to turn to exports as the way to compensate for weak home demand.

Component suppliers acknowledge that if the same model is in production in both Japan and the UK there is a commercial logic to quoting a price for the complete run.

Indeed, it is to overseas markets that the suppliers are having to turn for business as some compensation for deficiencies in home demand.

Turner & Newall: playing a key role in European automotive components

Continuing boom in W. Germany

WEST GERMANY'S motor industry is well into its fourth boom year in a row. Production capacity is being used to the full and order books are satisfyingly high.

hands, has been reinforced to a certain degree on an official level. The enforcement of "DIN," the West German standard specification, is rigidly applied to ensure high standards throughout German industry.

Recognition

Bosch is a company with world-wide recognition among motorists. So too are concerns such as Varta, the battery makers; Continental Gummilwerke and Phoenix Gummilwerke, tyre and technical rubber products makers; Fichtel and Sachs, which holds 70 per cent of the German clutch market; and Alfred Teves, owned by IT&T, which dominates the brakes market.

Despite this, foreign competition is making its mark in some sectors of the market, notably motor tyres. Imports have been rising dramatically, particularly from low-wage-cost countries, and West German tyre makers have been having a very thin time for much of this decade.

Grid of logos for automotive components: FERODO, Payen, Velbex, cooper's filtration, GUD, DURON, HALLS Gaskets, Vybak, Arpylene, Newalls, ENVOY, BIP Beetle, TBA, FLAAM FILTER, Coopers Gaskets, STOREYS, Storoflex, POLY-V DRIVES, belaco, joints, curty.

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# More investment by U.S. companies

THE WESTERN European vehicle market is roughly the same size as that in the U.S. And since a great part of Western Europe became a Common Market, in theory at least, its attractions have often proved irresistible for North American component companies.

There was also the incentive provided by the U.S. car assemblers which developed widespread and successful European businesses and encouraged their traditional American suppliers to set up shop this side of the Atlantic.

Europe has also offered the Americans a useful base from which to aim at the Middle East and African markets (where English is also often spoken) although today the developing countries insist on having much more locally-made content in all types of products so this is not the benefit it once was.

Britain has always been somewhere near the top of the list for Americans setting up in Europe, and not only because the language is one they can understand but there is easy access to capital and a reservoir of engineering skills. Where the majority of Continental component companies are either privately owned or subsidiaries of large groups, Britain had a clutch of medium-sized businesses with Stock Exchange listings and therefore were available to be bought if the price was right.

The latest example of a North American group using this route to expand its European component business was the bid by Rockwell for Wilmot Breeden, a rather acrimonious affair which came to an end only last month when the Board of the UK company reluctantly suggested that shareholders accept the offer in spite of its "undervaluing" Wilmot Breeden.

The bid provided a rather useful illustration of the kind of objectives the Americans currently set themselves. Wilmot's main attraction to Rockwell was that it can supply electric windows and door systems to fit small cars.

New opportunities for European-style components of all kinds are beginning to show themselves in the U.S. as the major manufacturers join the hectic race to produce lighter, less-thirsty, smaller popular cars for the 1980s.

## Opportunity

Not only that, the European market for such items is just about opening up. In the U.S. 28 per cent of cars have electric windows—in Europe the figure is 1 per cent. About 24 per cent of new cars in the U.S. are delivered with centralised and powered doorlocking systems against 4 per cent in Europe.

According to one authoritative estimate, the market for these items could double in value terms in the next four to five years. That seems less optimistic when the much higher cost of electric systems is compared with mechanical ones. For example, Wilmot collects about £50 for the central doorlocking system which goes into the new Rover saloon. Traditional locks would probably fetch about £5 a car.

Of course, Rockwell could have chosen a different technique and either bought Wilmot's technology or set up a joint operation or something of that sort. But when it took a closer look, Wilmot had added attraction which made a full bid for £24m seem more than worthwhile. Wilmot offered a way into France, a country which now has one of the strongest but most nationalistic automotive sectors in Europe.

Wilmot owns 99 per cent of Compagnie Industrielle de

Mecanismes (CMI) and so gives Rockwell a chance to gain a foothold on French territory it would otherwise have found very difficult to obtain. For the French Government has set itself firmly against the idea that any important industrial sector should fall into foreign hands—particularly American hands. And it is doing all it can to make sure that France has a components sector able to provide adequate backing to its big motor groups.

Wilmot also has 50 per cent of a Spanish company and 41 per cent of another in Italy, both relatively small concerns, but with significant positions in the supply of mechanisms to local car groups.

Seven years ago Rockwell, which describes itself as a "multi-industry" group, had no automotive operations outside North America. Today it has 12 plants and sales of about \$150m outside its home base. In Europe it owns the Golde company in West Germany, which makes car mechanisms but is perhaps better known for the manufacture of axles, brakes, chassis and other components for heavy-duty trucks, trailers, buses and off-road vehicles.

Rockwell has said it intends to spend \$500m on its automotive business worldwide between 1978 and 1983 so it can be argued that it was in the position to start its own mechanisms operations in Europe from scratch if necessary. For example, the Rockwell Bremser truck brakes business was started from scratch in Germany in 1965. But its sales have now reached the \$21m level and the company has now begun the \$65m first phase of an expansion programme to increase capacity by three times to around 400,000 a year.

But the purchase of Wilmot, which was vulnerable because its share price reflected the difficulties it was experiencing while streamlining its British operations to cope with the contraction of the UK automotive industry, not only provided Rockwell with a decisive thrust into a European growth market but at the same time removed from the scene a major competitor it would face if it decided to go it alone.

The other significant development among the American component suppliers in Europe in the past year is an exceptional one—a group intent on pulling out of some operations. Bendix attempted to sell its stake in DBA of France, a group formed from Ducelier, the vehicle electronics company. Bendix's own brake interests and Air Equipment, an aerospace components concern.

The move apparently was sparked by DBA's poor profit performance but it led to all kinds of political problems. These stemmed mainly from the fact that Lucas of the UK wanted to increase to a majority shareholding its existing interest in Ducelier. But the French Government preferred to retain Ducelier as a French company. The legal battles surrounding Ducelier are continuing.

Bendix's other European automotive components interests include the Bendix-Westinghouse truck brakes business; Jurid, the West German brake linings manufacturer; and Benditronics, another brake maker but this time for passenger cars. The group also has a joint company with Renault of France to co-operate in the development of automotive electronic equipment.

Bendix's contraction in Europe certainly goes against the usual tide. For example, Dana Corporation recently set up a formal European grouping for its interests in the area and arranged a London Stock Market quotation in case that might prove useful for a capital-raising exercise at some stage.

Dana also owns a variety of companies in Italy, making brake linings, plastics, shock absorbers, tail lights and servo systems, and in Finland it owns the Kom specialist shock absorber concern. In the second half of the 1970s most of these companies have been expanded and their export efforts stepped up.

The U.S. chemicals group Tenneco Walker also followed an acquisition route in Europe by taking over Harma, one of the UK's largest exhaust makers, two smaller producers in France and West Germany and the Pit Stop exhaust replacement business.

Other American groups are in Europe because they have special expertise which the major assemblers needed to repair their plants here—among the type are Champion, the sports plus manufacturer with plants in Britain and Belgium; Tinkert, which makes tapered bearings in Britain, France and West Germany; and Borg Warner, the automatic transmission concern.

And finally it should not be forgotten that the two big American automotive groups with assembly facilities in Europe, Ford and General Motors (Gm), themselves produce components on a very large scale; and Gm's component business, AC Delco, which has a turnover of around \$350m a year, has had serious success selling to other car and truck companies.

ITT, the U.S. group which based its fortunes on hydraulic components, also has a sizeable involvement in automotive components and in Europe these are centred on Teves, the West German brake manufacturing

business. AC Delco, which has a turnover of around \$350m a year, has had serious success selling to other car and truck companies.

## Expansion

TRW has also been building up its European operations. Last year it completed a major expansion of an engineering centre for rack and pinion and integral steering systems in the UK, completed the first stage of an engineering centre expansion in West Germany to second phase is planned this year; and in Spain expanded a joint venture producing steering and chassis products for cars to include the manufacture of manual and power steering systems for trucks and off-highway vehicles.

Last month Eaton added considerably (by about 10 per cent) to its European valve interests with the opening of a new \$10m

Kenneth Gooding

## W. Germany

CONTINUED FROM PREVIOUS PAGE

tyres—such as steel-belted radials—have a much higher value than the conventional tyres that they replaced, but they have the great disadvantage of lasting very much longer. Therefore, they have failed to match the lost sales volume in conventional tyres.

In the technical rubber products sector, volumes again have fallen short of replacing those lost to the tyre importers. Not only that, but competition in the area has stiffened considerably in the past few years.

For several years in a row Continental Gummi-Werke has passed its dividend, much to the concern of its shareholders. In real terms, Phoenix Gummi-Werke and Metzeler, Conti-Gummi's leading competitors, have failed to do any better.

Comparatively little restructuring has taken place in the industry, although the U.S. majors have made a number of acquisitions. But a very definite attempt was made in the tyre industry to put the German majors on a sounder footing.

Conti-Gummi and Phoenix from their leading shareholders opened merger talks in 1977. A merger had been mooted many times in the past 15 years but nothing had ever come about. The 1977 talks had all the elements of a shotgun marriage rather than a love match and the talks were called off after serious divisions between the two managements.

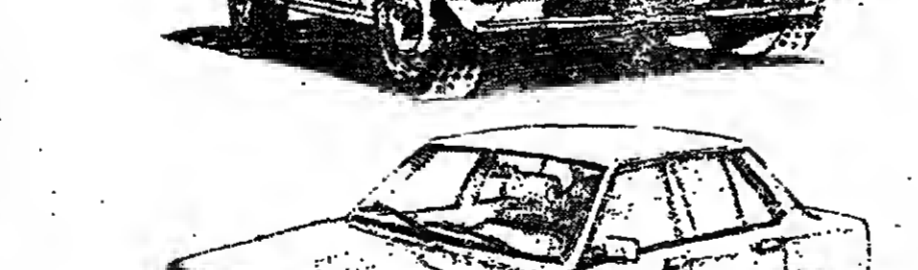
Clearly, the West German industry's share of the domestic mass tyre market had fallen to such a degree that it could no longer support everyone. Phoenix Gummi was the first to bite the bullet. It announced earlier this year that it was getting out of the business, concentrating on technical products and tyres for commercial vehicles areas in which it has considerable expertise.

Conti-Gummi, on the other hand, emmeshed itself still further in the mass-tyre market. In April, with Phoenix Gummi safely out of the way, it announced it was to purchase Uniroyl's European mass tyre operation. For Conti-Gummi this appears to be a 180 degree change in policy and only time will tell if it is the right one.

The tyre market is not the only one that could come under pressure from outsiders, including the importers. A ruling by the Federal Cartel Office in West Berlin could well provide a far greater opportunity for free competition in the replacement market.

In late March this year the Cartel Office ordered Volkswagen to stop favouring its appointed West German dealers and service shops to buy spare parts from its component suppliers. The cartel watchdog also announced that it was investigating BMW, which also binds its dealers and service companies to buy non-company-made parts from its accredited suppliers.

Volkswagen is appealing the decision. In the West German appeals court and it has to be admitted that a Cartel Office attempt to rule against a VW price increase on a previous occasion failed. However, the office contends that VW's policy unduly hinders its dealers and service companies from ordering spares "in the most favourable and cheap way."



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Guy Hawtin

EUROPEAN VEHICLE COMPONENTS IV

# Bid to streamline French production

A COMMON theme in the French motor industry, echoed earnestly by the Industry Ministry, is that the country's components sector is far too fragmented.

Rationalisation has moved ahead rapidly in the car industry. It is argued, finding its logical conclusion in the Peugeot-Citroen-Chrysler France combine. The vehicle producers therefore can achieve internationally competitive economies of scale in car manufacturing. Now the component companies need to get together to produce similar streamlined operations. The fact that France finds itself in this position, however, is due partly to its traditional strengths. The components industry has always existed very much in the shadow of the vehicle manufacturers.

In the past 15 years, as the car manufacturers have gone out and found new world markets, the suppliers have been too busy keeping pace with the new demand to establish international empires of their own in the way that some British and German companies have done. At the same time, the dominance of the vehicle producers has had two further effects. First, it has meant that the assemblers themselves have gone far deeper into component manufacturing than many of their competitors overseas.

Second, it has given the assemblers power to keep the component suppliers on a tight rein. Individual car and truck manufacturers have tended to establish strong links with selected component companies and to tie them down to such particular specifications that they have become almost client organisations.

## Significant

Rationalisation, such as it is, is now coming from a number of different directions. Probably the most significant of these is the work that is going on in the electrical components sector.

This is the key area for components development in the future as vehicle electronics become one of the most important elements in controlling vehicles and reducing weight in the interests of energy conservation.

Mainly because of the importance of these types of components and the dominant position of Lucas of the UK and Bosch of West Germany in the European market, the French Industry Ministry has concentrated its attention here on rationalisation.

The first step in this process was to persuade Ferodo, the clutch and friction materials group, to take over the Cibie-Paris-Rhone group and combine it with its own Marchal interests. This deal was pushed through in 1977 to create SEV - Societe pour l'Equipe des Vehicules - with interests in lighting, alternators, windscreen wipers, motors, ignition equipment and so on.

The second step in this phase of re-organisation was to have been the takeover of Ducellier, the electrical components subsidiary of the DBA group.

For the French industry this was a logical development. DBA, owned by Bendix of the U.S., wanted to sell its stake in Ducellier (a company jointly owned with Lucas of the UK), and a takeover by Ferodo would have meant putting the final piece into the SEV electrical components' group jigsaw. SEV needs a division specialising in electronics to establish the necessary spread across the range of electrical equipment. Ducellier would have answered this requirement.

However, Ferodo's move for Ducellier ran foul of similar expansionary ambitions by Lucas. The ensuing court cases, as each company has fought for control, have become a cause celebre in French industrial policy and the resolution of this battle undoubtedly will have a significant impact both on the development of Lucas, which has been growing rapidly in Continental markets, and on the French components industry itself.

At present, the situation is still in the hands of the courts, with no agreement immediately in sight. The case has developed so far in three fairly distinctive steps. First, Lucas came to an agreement with DBA (ultimately Bendix) under which it would have taken over Ducellier completely by stepping up its 49 per cent stake. The French Government failed to approve this agreement between Lucas and DBA, the other Ducellier shareholder, although Lucas claims to have a pre-emptive legal right to the DBA stake.

The second step was when Ferodo came to an alternative agreement with Bendix to take over the DBA stake in Ducellier. Lucas protested against this deal on the grounds of its pre-emptive rights and the fact that it had reached an agreement itself, and effectively won the case. The Paris Commercial Tribunal declared the agreement between Ferodo and

	1973	1974	1975	1976	1977
Total turnover without tax*	15,993	18,229	20,225	27,563	30,000
	+ 8.5	+ 14.0	+ 12.5	+ 34.3	+ 9.1
Total export	4,743	6,297	8,013	10,590	12,000
	+ 22.9	+ 32.8	+ 27.3	+ 31.7	+ 29.9
Total import	3,149	3,948	4,621	6,651	8,268
	+ 29.3	+ 25.4	+ 17.0	+ 43.9	+ 24.3
Export/import coverage rate	150.6	159.5	173.4	158.6	155.7
French market = prod. - export + import	14,399	15,880	17,133	23,670	24,362
Rate of foreign penetration or import/French market	21.9	24.5	26.9	28.1	33.5
Export rate export/turnover	29.6	34.5	39.6	38.2	40.0

\* Including components made by car manufacturers. † Estimate. Source: Federation of French Vehicle Equipment Manufacturers.

Bendix to be null and void.

The case is now in a third stage following an appeal by Ferodo against the Tribunal's decision. The French group says that it is still actively discussing forms of industrial co-operation with Lucas as a compromise solution since it wants to reach an agreement founded "on a reasonable basis, taking into account the interests of Ducellier and its shareholders."

How far both Ferodo and Lucas are prepared to go towards a compromise is now the main question hanging over the case.

The second element of rationalisation in the French components industry is coming from overseas companies. Here again, Lucas has played a big part through its Lucas France subsidiary, which is one of the biggest individual components manufacturers in the country, employing about 7,500 people. It is strong in traditional electrical equipment, braking systems (Girling) and diesel parts (Roto-Diesel).

Other foreign companies which have moved into France include:

- 1.-VDO, the West German vehicle instruments group, which raised its stake in Jaeger to 45 per cent in 1974. Jaeger, one of the few internationally-known names in the French industry, with its range of speedometers, fuel indicators and other dashboard equipment, had net profits of FF 21.5m (\$4.9m) last year.
- 2.-Bosch, the West German electrical group which, apart from its stake in SEV, has factories making fuel injection equipment and other electrical products.
- 3.-Wilmot Breeden, the UK door latch and plastics company, recently taken over by Rockwell of the U.S., has had a significant presence in France over a long period. It has become the major supplier to the vehicle companies in this sector, and one of the main reasons for Rockwell's interest is that it will be buying a base in France.
- 4.-Teves, the German brake manufacturing group now owned by ITT of the U.S., which has recently built a disc-brake factory in France.
- 5.-GKN, the UK company, which manufactures universal joints.
- 6.-Associated Engineering, also British, with its piston technology.
- 7.-Among other overseas companies are Dana of the U.S. which recently bought Floquet Wilmot, the piston ring manufacturer, and Automotive Products with its clutch remanufacturing activities.

## Example

The third rationalising element is the big vehicle companies themselves. The French manufacturers have always been inclined to take financial stakes in component companies - Jaeger's French shareholders, for example, include Renault, Peugeot and Citroen.

But the moves to streamline production have gone farthest in the larger components, such as engines and gearboxes, and are being pushed forward still further by the fusion of Peugeot, Citroen and Chrysler.

The most celebrated example of this trend is the Renault-Peugeot company Francaise de Mecanique, which makes engines jointly for both companies. Despite suggestions that these two groups would be forced further apart by a series of takeovers which have pushed Peugeot to the forefront of the French motor industry, they have linked again recently to establish an aluminium foundry in Lorraine.

Peugeot itself has for many years had an interest in car bumper, chain and steering wheel manufacturing through Aciers et Outillage Peugeot, in which the group interests amount to 76 per cent. More recently, Peugeot and Citroen established a joint engine manufacturing plant for the PSA Peugeot-Citroen group called Societe Mecanique des Automobiles de l'Est, also in Lor-

raine. This will be managed by Citroen, which has a 75 per cent controlling interest.

Lorraine is also to be the site for another large 2,000-employee PSA group components factory, although it is not clear yet exactly what will be made there. In the all-important field of vehicle electronics, Renault has recently set up a joint operation with Bendix.

## Performance

In spite of the anxiety shown by the authorities to defend the French components industry and build it into a stronger force in international markets, its overall performance in recent years has been reasonably satisfactory. Total turnover in the industry, including parts made by the car manufacturers, has all but doubled between 1973 (FF 16bn (\$3.6bn)) and 1977 (FF 30bn). Excluding the vehicle producers' share, turnover amounted to FF 21.7bn.

About 46 per cent of these components, according to the in-

dustry's federation, were exported (FF 13.7bn), against imports of FF 8.3bn. It is true that during the last six years imports have moved up steadily, from 21.9 per cent of the French market to 33.5 per cent in 1977. But at the same time the export ratio of French output has gone up from 22.6 to 45.6 per cent. The EEC is both the biggest market and the largest supplier (78.8 per cent of imports).

First nine months' figures for 1978, excluding the vehicle manufacturers' interests, indicate a further growth in sales of 10.9 per cent to FF 23.6bn. Of this total, the electrical sector accounted for FF 4.5bn, marginally ahead of body equipment (FF 4.4bn), but well behind chassis products (FF 11.6bn).

Perhaps this relatively modest performance by the electrical companies, which ought to be in the forefront of activity, is one of the main reasons for the dour battle going on for control of Ducellier.

Terry Dodsworth

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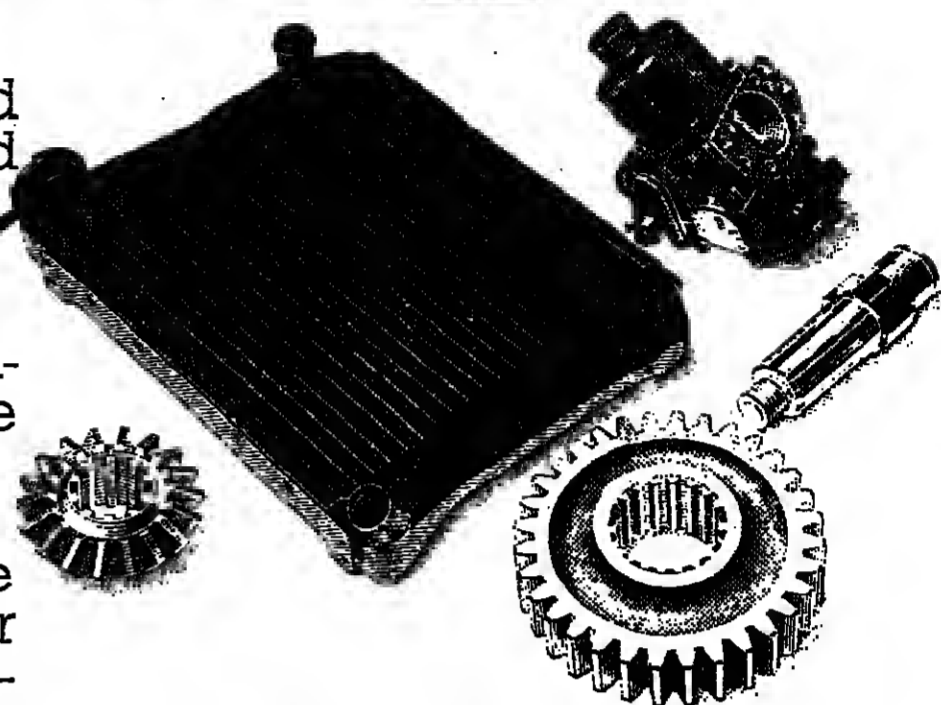
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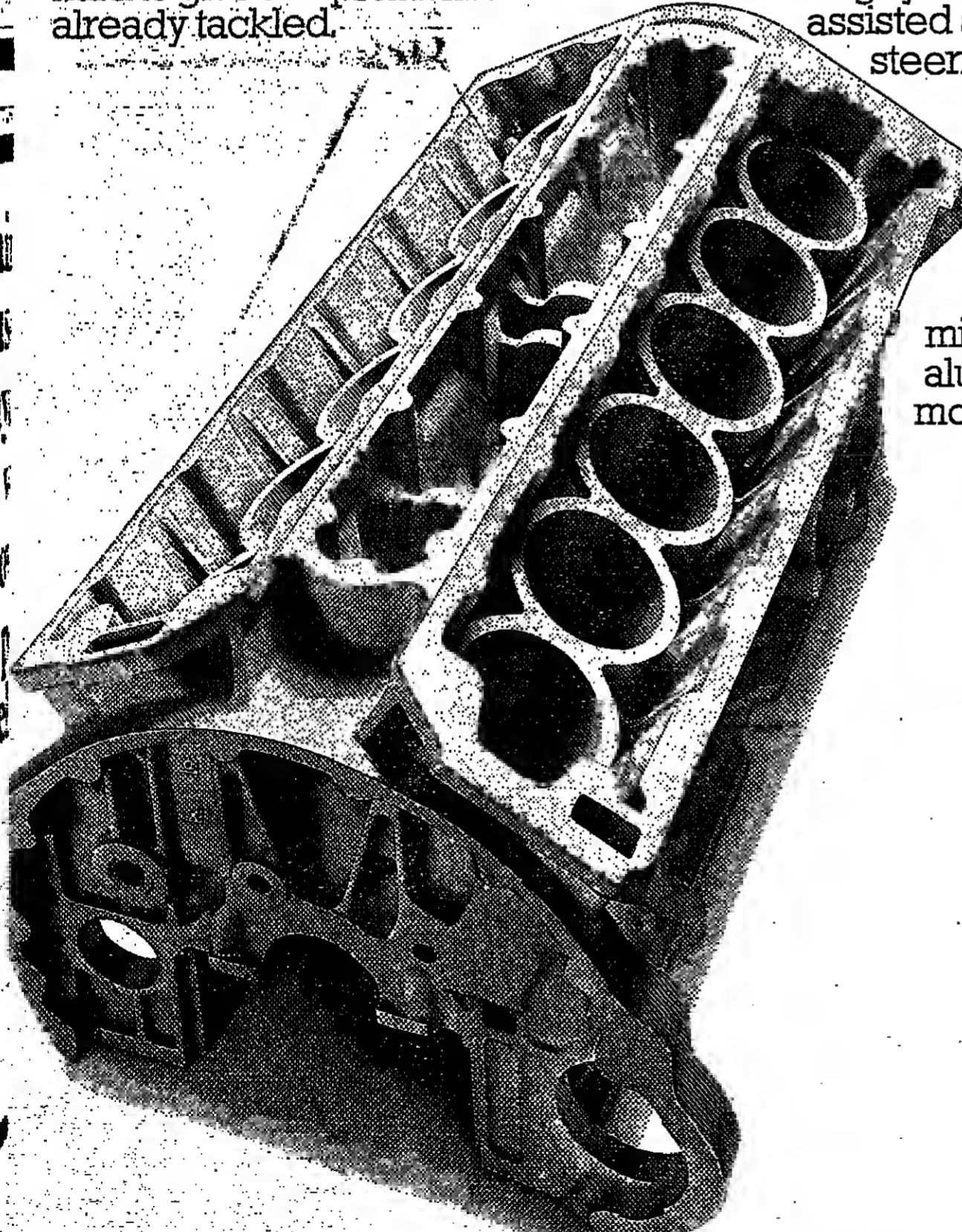
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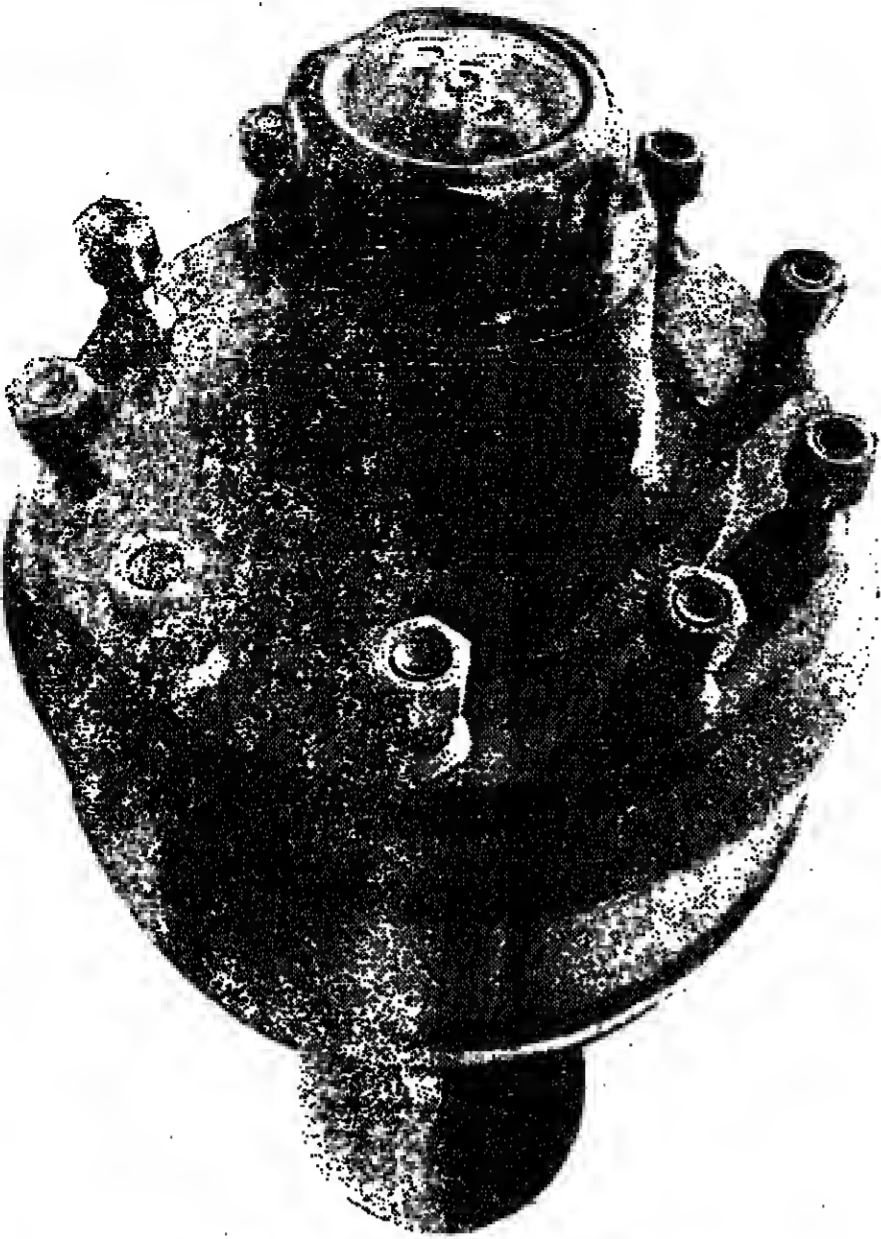
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# EUROPEAN VEHICLE COMPONENTS VI

# Italian manufacturers face more problems



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**WHILE ITALY** is Europe's third largest manufacturer of vehicle components after West Germany and France, the industry is essentially focused around one concern, the Turin-based car manufacturing conglomerate Fiat.

The Turin group, Italy's largest private enterprise with a consolidated turnover last year of L13,000bn, accounts for more than L1,000bn of the Italian vehicle component sector's estimated L2,500bn output this year.

In this respect, the components sector is largely dependent on the fortunes of Fiat, whose performance has been steadily improving since the energy crisis in 1973. Car production in Italy improved last year by 4.7 per cent over 1977, and the Italian industry registered the best percentage gain among the major European car makers.

Even though the overall export situation for the European industry remained difficult, Italy still maintained its lead with a slight 0.6 per cent decline in car exports and a 6.6 per cent increase over the previous year in exports of industrial vehicles.

To line with the recent reorganisation of the Fiat group into a holding company controlling a number of varied operating subsidiaries, the Turin company's component sector is made up of an extremely varied production structure. There are no fewer than 43 plants in Italy and three abroad, producing about 75 per cent of their output for the car industry.

Fiat says the reorganisation of the rigid production structure of its components sector employing about 32,000 people, became essential after the outbreak of the energy crisis. According to Fiat "the main feature of this reorganisation was to diversify production on the flexible basis of small and medium-sized groups operating within the framework of an international holding company, in an effort to align them to future market conditions."

At the same time, perhaps the most radical aspect of this

reorganisation was to change the exclusively Fiat-oriented approach of these small and medium-sized companies. This has made them more market-oriented, enhancing their individual export performance.

To this end, some of Fiat's leading subsidiaries in this sector including Gilardini, Magneti Marelli and Comind, have now set up new trading companies in France and West Germany, and new commercial bureaux in Britain and Spain.

## Network

Although Italy's other large car manufacturer, the state-controlled Alfa Romeo group, also has an active component sector with its Spica and Apoini subsidiaries, the other main feature of the industry in Italy is the vast network of small workshop-type manufacturers relying mainly on sub-contracts from the large producers.

Often these groups are set up by former employees of the larger companies such as Fiat or Alfa Romeo, which continue to support them since it effec-

tively gives the larger groups greater elasticity and reduces operating costs. In turn, this wide range of smaller industries, which rely in large measure on their own ingenious devices, form part of what is perhaps the most dynamic and profitable end of Italy's industrial structure.

But while the sector has performed better than most during the recession of the last two years, when annual growth was limited to barely 2 per cent, there is now increasing concern over the possible repercussions of the renewal of some major national labour contracts and the impact of the country's growing energy problems. For two months already, negotiations between employers and the key engineering and metalworkers union over their three-year labour contract have been deadlocked.

The unions, which have adopted an increasingly militant and disruptive approach, are demanding monthly wage increases of about L30,000, exceeding the government's target to prevent any real rises in salaries for the next three years. At the same time, employers so far have firmly rejected union demands for greater union say in company future investment

policies and for shorter working hours.

In view of the renewed threat of rising inflation, already running at an annual rate of more than 14 per cent, and increased raw material costs, there are now fears that the industry's export competitiveness may be eroded. Moreover, the recession of the last two years, which now seems to have bottomed out with output rising again, has also affected smaller industries.

According to spokesmen of the small industry sector of the Confindustria, Italy's national employers confederation, small and medium-sized concerns have faced difficulties in obtaining funds from the banking system at a time when they could no longer rely exclusively on self-financing.

The Italian banking system has generally serviced the country's large private and State companies, while somehow overlooking the smaller ones despite their economic viability and vitality. However, the disasters in some major state groups, the banks apparently are taking greater interest in smaller companies.

At the same time, these companies have not stood still. They

have grouped themselves into so-called "comitati" or committees, to attract funds from the banking system but partly from local banks, to balance sheet and export financing.

Similarly, in a number of areas, especially in the industrial north of the country, a large concentration of small industries operating under contract from large mechanical groups such as Fiat or Alfa Romeo, these companies have pooled together in consortia to boost their export performance and reduce their dependence on the large groups.

The country's current political uncertainties have also cast a shadow over the prospect of Italy's vehicle component sector. While the small group have looked so far to be immune from the country's political difficulties of the last few years, they are nonetheless indirectly affected by a general situation which hits the country's major concerns.

Companies such as Fiat traditionally have been in the eye of Italy's political turmoil at this stage could well dictate the shape of the country's future labour contracts.

Paul Bet

# State of flux in Spain

**LIKE ALMOST** everything in Spain at the moment, the vehicle components industry is in a state of flux, and no one is prepared to state the precise direction in which events will move. However, the horizon is clear enough, and called the EEC.

With this in view a battery of legislation on imports and exports has been drawn up, affecting both the components industry and the vehicle industry as a whole. The object is to ensure that when Spain enters the Common Market—provisionally in January 1982—its key industries will be on something like an even footing with their competitors.

The Spanish administration has come up with two samples of this legislation so far and there is more to come, so that any appreciation of its significance is at best provisional.

Fortunately for the components manufacturers it is the vehicle makers that are still trying to sift the implications for their forward planning. For components manufacturers, the general tendency of the legislation is both clear and beneficial.

Last year Spain's vehicle components industry saw gross turnover peak at Pta 217bn. Investment in the sector, in a year when overall industrial investment dropped nearly eight percentage points, amounted to about Pta 10bn. As a measure of confidence in the sector, it is worth mentioning that FEMSA (Fabrica Espanola de Magnetos), Spain's leading electrical components concern, saw its share appreciate by 66.2 per cent in the first six months of last year, giving it a clear lead in the stock market ranking.

Nearly a quarter of gross turnover, valued at Pta 55.7bn, was for export, 56 per cent of it to the EEC and a further 13 per cent to the U.S., while jobs in the sector held steady at 130,000.

The sector's great strength was that before the recent changes in legislation, the vast majority of Spanish-made cars

had to be made up 90 per cent from locally produced parts. With the advent of Ford in 1973, a whole range of cars with limited penetration into the Spanish market were allowed to be built with up to 50 per cent of imported components.

Tariffs on imported components were fixed at a notional 30 per cent but were effectively applied at around 5 per cent. Only if the manufacturer exceeded his allocation did the full tariff operate. Further, even this norm was relaxed in cases where, for example, general strikes in the Basque Country threatened to dry up domestic supplies.

## Changes

The new legislation aims to reduce the obligatory local content in Spanish-made cars from 90 to 60 per cent by 1982. But while, in principle at least, this allows importers a freer hand, there are two catches. First, the reduction is on a sliding scale which has not yet begun to move; and second, tariffs have in practice been raised.

The new tariff band runs from 25 to 18 per cent, lower than the notional 30 per cent but evidently higher than the most frequently applied 5 per cent. This, it was pointed out to me by a trade source, was a considerable "goal". In the motor manufacturers' net, desiring ostensibly to strengthen the hand of domestically-controlled industries in future negotiations with the EEC.

The second big change envisaged by the legislation is that manufacturers can now import main components without hindrance. Engines, gear-boxes and whole bodies can be brought in duty-free but not, say, carburetors, unless they are brought in as part of the engine. However, these imports must be financed 40 per cent from export receipts. At the same time, finished cars can be imported duty-free, but for every 100 brought in, 120 have to be exported.

But there is another catch. This linking of imports to exports sounds innocently

multi-national-spirited in the light of last year's freak export performance, were it not for the package of corrective monetary measures that the government pushed through by decree at the end of April.

In essence, these measures were designed to curb the influx of foreign exchange—which was playing havoc with the government's strict money supply targets and therefore its anti-inflation drive—and allow the peseta to float.

Since then, the peseta has gained more than three points against the dollar. From the car manufacturer's point of view, therefore, it is harder to export "it is going to be equally as hard to import.

From the component industry's point of view, this allows them a breathing space in which to adapt to life outside the tariff barriers, at the same time that the government can present the package as a progressive process of liberalisation.

Nevertheless, smaller suppliers of the automobile industry are unlikely to survive. Their extremely delicate cash-flow position was highlighted in March last year, when SEAT, still Spain's leading saloon-car manufacturer, although losing money at the rate of Pta 1bn a month, put its workers on short time in an effort to reduce stocks. The ripples engulfed several of its smaller suppliers.

But those companies that can expand undoubtedly will. This sector's basic health is underlined by the case of Ford suppliers. Though legally obliged to buy only 50 per cent of Fiesta components locally, Ford in fact buys 63 per cent.

More than the sector's aggressive alignment with its EEC competitors, the components industry is likely to face its major challenge as a result of Spain's car industry being entirely in multinational hands. The progressive concentration of the car industry internationally makes local components manufacturers potentially vulnerable.

For example, Peugeot-Citroen were to decide that its

Madrid Chrysler plant could employ more effectively making, say, gearboxes; it could adversely affect local component makers. Similarly, local suppliers of Chrysler, Ford, Citroen, Renault and Seat-Ford could have markets opened them in the rest of Europe and the U.S. as a result of the multi-national connection.

However, a brief glance at the equity structure of the sector's leading companies shows that in only one—CAV of Egt holds 46 per cent—does Spain hold a majority. Bendorica, Bendix, W 39 per cent, DBA of W 13.2 per cent, Adwest (I 8.6 per cent, SAF of Frz holds 64.5 per cent in Faw Internacional, with Swiss Italian capital a further 22 per cent, while Dutch Eaton recently increased its stake to 100 per cent.

## Diversity

FEMSA, the leading company in the sector and most significant Spanish-owned since last year ceded 51 per cent of its equity to the German company Robert Bosch AG national. FEMSA was work under capacity and badly needed the capital, while Robert Bosch was concerned to squeeze Lucas from a lucrative market in which it already had a substantial stake through Rob Bosch Espanola.

This diversified equity structure leaves the component industry well-placed to spread its eggs and plan ahead, accordance with the needs of their multinational clients.

Nor is it worth overlooking in the light of the shifting needs and strategy of the multinational auto manufacturer that Spanish car production is likely to rise substantially in the next few years. General Motors sets up in Spain. Eye Toyota has carried out soundings in Spain recently.

On balance, therefore, the news for Spanish component manufacturers is mostly good.

David Gardner



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### EUROPEAN VEHICLE COMPONENTS VII

# Crucial need to cut weight

A gallon of petrol nowing the £1 mark the issue of the £1 mark in some of the issue of weight reduction of vehicle components as an energy conservation measure even greater significance than it has done during the past decade.

As a result, the need to cut weight is becoming crucial for all manufacturers particularly in the light of present legislation. In the U.S. legislation requires makers to improve the fuel consumption of their vehicles by an extra 2 mpg a year in five years to 1985 and manufacturers in the EEC and Japan take note of this.

Mr. Derek Whitfield, former managing director of Leyland Cars and now managing director of the glass division of the Rockware Group, says: "Target (weight) reduction of 10 per cent, 20 per cent, 25 per cent, respectively for 1985 and late 1980s models is not only a realistic objective, it is a common place with all car manufacturers." "A 15 per cent weight reduction could give an improvement of between 10 and 15 per cent in fuel consumption. Materials such as aluminium, steel, cast iron and composite materials will all play a part. The most important materials are those mentioned in the sixth International Conference for Suppliers to the Motor Industry, in Geneva, last month described possible weight reduction through the use of lighter windshields, light reinforced plastics,

carbon fibres and light-weight prop-shafts and clutches; examples of which were shown by UK companies at the exhibition.

One area in which UK manufacturers have taken a technical lead is in glass. Triplex Safety Glass now produces a 3 mm glass. The swing towards side and rear windows of 3 mm or even thinner glass was predicted by Mr. John Pickard of Triplex at the Geneva exhibition. He claimed that the new windows could reduce by nearly a quarter the weight of glass in typical cars and contribute towards better roadholding by lowering the centre of gravity.

Since the 1890s 3 per cent more glass a year has gone into the average car every year as windshields have been lowered, windshields deepened and rear windows enlarged. To counter this, glass thickness has been reduced progressively to the point where new technology makes possible the production of glass which is lighter than steel.

## Prediction

But the major savings in weight are in the use of light-weight materials as alternatives to steel and iron. Aluminium and magnesium alloys are important here, magnesium alloys being the lightest structural alloys available—but they are more expensive than aluminium and so less attractive to manufacturers.

Last year U.S. car makers used more aluminium than ever

before—an estimated record 1.54bn lb of aluminium were shipped to car makers compared with 1.481bn lb in 1977. The average 1979 U.S.-made car contains an estimated 118 lb of aluminium—the most ever and it is predicted in the U.S. that by 1985 the amount of aluminium used in a car will reach 250 lb.

Aluminium is used in the engine compartment for camshaft covers, sumps, water pumps, clutch and gear housing, and for bumper parts and brackets.

The British car industry has followed rather belatedly the example of the U.S., European and Japanese car makers by switching to aluminium engine blocks and cylinder heads for mass market models. Use of aluminium by BL for example, is likely to go up by 1983 from the present 20,000 tonnes a year to 28,000 tonnes a year if its car volume remains the same.

Strength for strength, this metal is half the weight of iron or steel.

In the U.S. one exciting new development is that of increasing use of glass fibre. Mr. Larry Suter, of Rockwell International's Plastic Division predicted that his company's glass

fibre bonded assembly truck door, built for Mack Truck, was a forerunner of new developments in the automotive industry.

Rockwell is confident the door design is the first step to a fibreglass truck cab and a glass fibre door for the passenger car.

Also optimistic about the future of plastics in cars is Goodyear Tyre and Rubber. It talks of passenger car doors, hoods on cars and frame components all in plastics.

Goodyear's involvement comes in that it manufactures structural urethane adhesives which bond together plastics and other materials.

At the Geneva exhibition Mr. Frank Shaw, executive engineer for Axle and Drive-Line Design, Jaguar-Rover-Triumph, said: "The whole picture of plastics is good only if the reliability and easy application of adhesives keeps pace with the increasing use of these materials and if the plastics themselves are better understood by the designers."

It is obvious that we must use plastics and fibres more and more, and the archaic practice of removing material wastefully

must stop. Paris must be fixed by adhesives and not by nuts, bolts and rivets."

But, plastics, like aluminium, have a diminished ability to absorb energy, require different surface treatments and have altered durability in the face of environmental influences.

Dr. Kariheinz Radermacher, BMW board member for research and design, said at the last BMW Engineering Conference that the use of light metals altered crash behaviour due to a different uniform deformation rate from that of steel.

They made shaping more difficult and opened the possibility of contact erosion if insufficiently isolated from steel parts.

One of the newest light-weight materials is carbon fibre, a resin-based reinforced plastic material whose use was pioneered in the U.S. space programme.

But the Catch-22 situation is that carbon fibre is expensive—Ford of the U.S. built an all-carbon fibre car which could easily be lifted by two men but it cost \$3m. But costs are coming down: 13 years ago carbon fibre cost £280 a pound, it now costs £25 a pound. The eventual target price is about £5-£8 per pound

at 1979 prices—slightly above the cost of steel.

While Ford is using its \$3m car to study manufacturing feasibility it is also going to use a carbon fibre component in its 1980-81 cars. This will be a small bracket to hold down the air conditioner. This bracket suffers severe stress and is subject to fracturing. So here, ironically, it is the strength of carbon fibre, not its lightweight characteristics, which are important.

In the UK the BRD company, part of Britain's largest engineering group GKN, is the chief supplier of carbon fibre and aluminium shafts. While these save weight, costs are so high as to limit applications to specialist vehicle producers. A typical steel prop-shaft would weigh 12 kg. One of the new composite materials would weigh 6 kg.

Mr. Sandy Ross, chief marketing executive for GKN, predicts that the most likely carbon fibre component for volume-produced cars will be the prop-shaft. But in the long-term GKN is also looking at the use of carbon fibre for leaf springs and the load-carrying bed of commercial vehicles.

Lisa Wood

## Fastening Ideas... FROM BKS



## Increase in electronics

DESIGN a microcomputer control a motor car is one to ensure that it works under conditions of rain, heat, vibration and misuse is r. But perhaps the most of all is to anticipate what will happen when a car-controlled car breaks in a dark Saturday night country road far from

use, for it still is possible, not too sleepy garage mechanic can be roused from his chair, and parted from the Day to try to get the car moving again. Will we where to start?

not at all clear whether mechanics who know all about a coil, replacing a carburettor or easing a carburettor plugging will be equally about checking the operation of a microprocessor and its circuits. Will they for example, what tests to establish whether a microprocessor module itself is replacing, or whether the control is failing to because of some deal or electrical fault in the vehicle?

sumption by calculating the precise mixture of air and petrol required for the best performance of the engine at any given moment. The computer is connected to a large array of sensors (its eyes and ears) which will feed in continuous information on road and engine speed, temperature, load, acceleration and other parameters.

After calculating the correct air to fuel mixture, the computer sends instructions to electrically operated valves in the carburettor system.

The micro-computer itself is only about 2mm square, mounted in a plug about the size of a domino. It can contain 12,000 to 20,000 individual circuit elements and is capable of performing several million calculations each second.

Micro-computers will also be applied in the next few years to a variety of other purposes in automobiles besides fuel mixture and ignition control.

First a safety point of view, perhaps the most important is computer control of the braking system to prevent skidding. Special sensors are attached to the wheels to detect the beginnings of a skid. These sensors feed signals via the computer into the braking system to ensure that the maximum braking pressure is applied short of that which will result in a skid. Experiments so far indicate that this type of system can reduce the stopping distance on a slippery surface by as much as a quarter.

The computer can also be used to reduce the complexity of electric wiring in automobiles. Instead of having bundles of wires leading from the dashboard to each lamp, windscreen wiper, and other electrical units, it is possible to make do with only two sets of wires. One set would be a ring main carrying power right round the vehicle to wherever it is needed. Alongside the power cable is a signal wire connected to the computer, which in turn is connected to the dashboard switches.

When, for example, the headlights are switched on, the micro-computer generates a special code which travels down the signal wire to all the lights, but is only recognised by a special circuit at the headlights. This circuit, having recognised its signal, operates an electronic switch which automatically connects the headlights to the power ring main.

This type of system will be generally adopted as soon as the cost of the electronic components falls below that of the wiring and the associated labour costs.

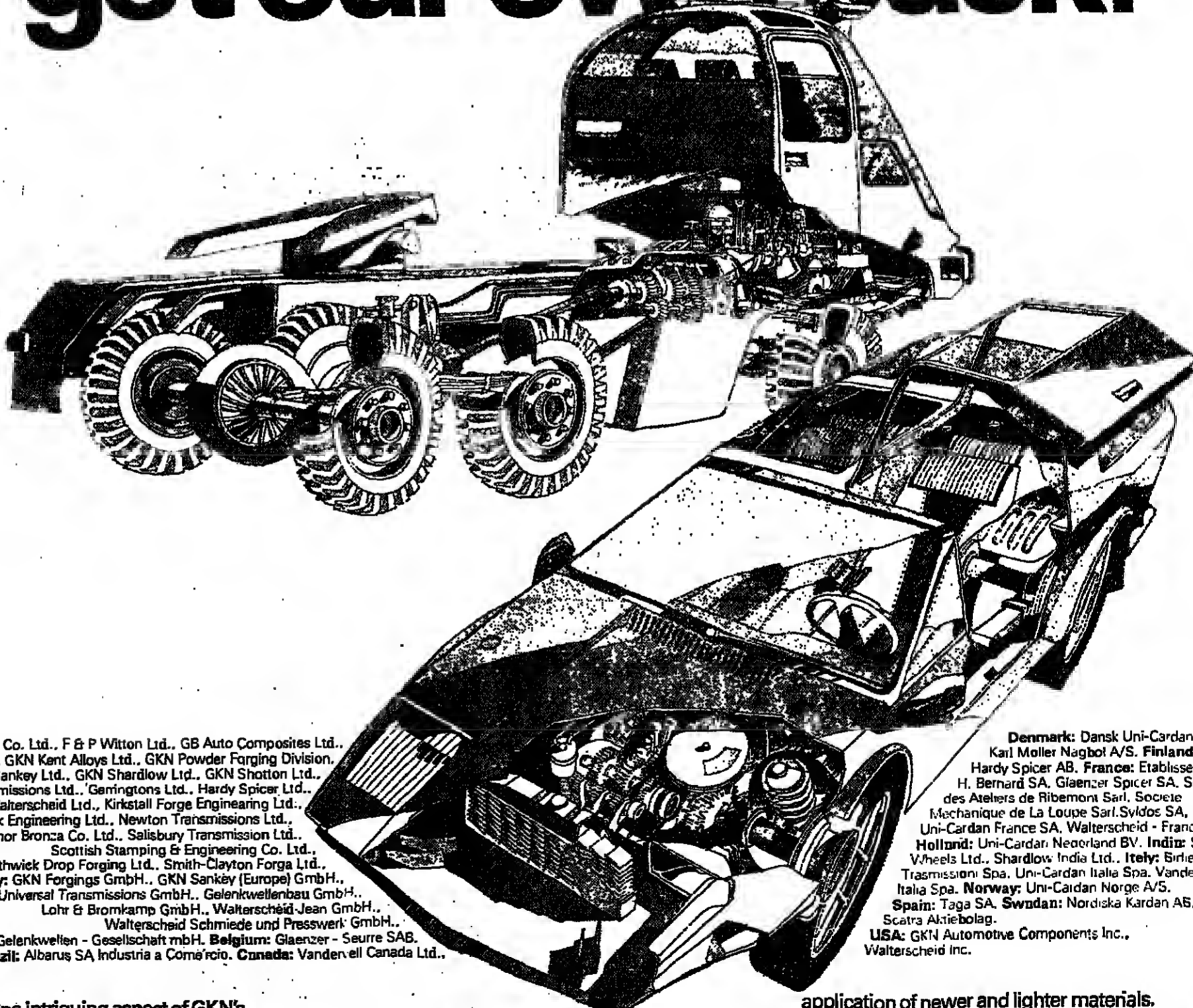
The motorist would probably not know the difference in this type of application, but some uses of computers in cars are already highly visible. New types of instrument display, for example, with a digital read-out are possible.

In the longer term systems developed for avionics which project an image of instruments beyond the windscreen could become available in the more expensive automobiles.

Trip computers, which will calculate average petrol consumption, estimated time of arrival and other useful figures are already available. Before all that long cars will be fitted with computer-controlled locking systems and possibly even computer tests to limit drunken driving.

Max Wilkinson

# One way or another, we usually get our own back.



- UK: BRD Co. Ltd., F & P Witton Ltd., GB Auto Composites Ltd., GKN Axles Ltd., GKN Kent Alloys Ltd., GKN Powder Forging Division, GKN Sankey Ltd., GKN Sharrow Ltd., GKN Shorton Ltd., GKN Transmissions Ltd., Geringtons Ltd., Hardy Spicer Ltd., Hardy Spicer Walterscheid Ltd., Kirkstall Forge Engineering Ltd., Laycock Engineering Ltd., Newton Transmissions Ltd., The Phoscock Bronze Co. Ltd., Salisbury Transmission Ltd., Scottish Stamping & Engineering Co. Ltd., Smethwick Drop Forging Ltd., Smith-Clayton Forge Ltd., West Germany: GKN Forgings GmbH., GKN Sankey (Europe) GmbH., GKN Universal Transmissions GmbH., Gelenkwellenbau GmbH., Loch & Bromkamp GmbH., Walterscheid Jean GmbH., Walterscheid Schmiede und Presswerk GmbH., Austria: Gelenkwellen - Gesellschaft mbH., Belgien: Glanzer - Seure SAB., Brazil: Albarus SA Industria a Comercio, Canada: Vandervell Canada Ltd., Denmark: Dansk Uni-Cardan A/S, Karl Moller Nagbol A/S, Finland: Oy Hardy Spicer AB, France: Etablissements H. Bernard SA, Glanzer Spicer SA, Societe des Ateliers de Ribemont Sarl, Societe Mechanique de La Loupe Sarl, Svidos SA, Uni-Cardan France SA, Walterscheid - France Sarl, Holland: Uni-Cardan Neerland BV, India: Sankey Wheels Ltd., Shirdole India Ltd., Italy: Birfield Transmission Spa, Uni-Cardan Italia Spa, Vandervell Italia Spa, Norway: Uni-Cardan Norge A/S, Spain: Taga SA, Swedan: Nordiska Cardan AB, Scahra Aktiebolag, USA: GKN Automotive Components Inc., Walterscheid Inc.

One intriguing aspect of GKN's involvement in the automotive component business is that many of our export products have a curious way of being re-imported. As an integral part of fully assembled vehicles.

From our base in the U.K. we were amongst the first to become truly European and now have over 30 companies involved in quantity production of components.

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moving and on the road.

GKN automotive companies in the U.K., West Germany, Denmark, Finland, France, Italy, and Sweden all have a common philosophy: we manufacture to the highest technical specifications - and we deliver.

Our customers acknowledge our proven manufacturing ability. Yet we are not complacent. We have a clear picture of the future and have already pioneered many innovations including front-wheel-drive systems; as well as researching and testing the

application of newer and lighter materials. This is why some of the largest automotive companies throughout the world take advantage of our know-how.

They realise that buying GKN is a successful combination of engineering thoroughness and the best of European technology.

Find out how our technology can add to your success - contact the GKN Group, PO Box 55, Smethwick, Warley, West Midlands, U.K. Telex No: 336321.

## engineering technology... in action.

# High street parts battle

EUROPE'S 90m car owners spend an estimated £8.587bn annually on replacement parts. The more cars running on a country's roads, the higher the expenditure. West Germany, with more than one-fifth of all European cars on its roads, has the largest replacement market—worth more than £1.5bn at retail prices, according to estimates from AC Delco.

Next come France, Italy and Britain with markets valued at £1.384bn, £1.08bn and £1.04bn respectively.

But Britain has developed an "after market" different from its Continental neighbours. In mainland Europe the traditional channels of trade persist with the original equipment manufacturers supplying wholesalers and dealers while the

retail end of the business is dominated by garages. In Britain since the end of the 1960s a different breed of manufacturer has sprung up offering replacement parts which match those used when the car was first assembled. These "pirates," as they were once dubbed, stimulated a change in the wholesale trade which, in turn, enabled the retail end to fragment into a very complicated network.

Britain now has an estimated 5,000 non-traditional outlets for replacement car parts, about three-quarters of them independent shops and the remainder part of multiple chains. Between them they are reckoned to control more than half the retail business.

Britain also has 11,500 vehicle

dealers and garages which were the traditional suppliers of spares and then there are also 20,000 or so repair garages and 25,000 petrol stations which are offering replacement parts in some way or another.

The original equipment makers have been fighting back to regain some of the replacement business lost to the "pirates" and, more recently, to make sure that they do not get left behind as the numbers of imported cars in the total on Britain's roads continues to grow.

BL led the way with the introduction of its all-makes Unipart programme, under which parts for its own cars and most other popular makes—including some European and Japanese imports—are supplied

to main dealers and to independent High Street outlets, to supermarkets and mass merchandisers. Unipart even has retail shops of its own.

Ford and Chrysler followed with similar all-makes parts programmes under the Motorcraft and Mopar brand names. Their parts are distributed widely through independent outlets as well as through dealerships but they do not have retail outlets.

AC Delco, the General Motors European components division, is also strengthening its replacement parts programme in Britain and the rest of Europe and aims for a 25 per cent share of wholesale distributors' parts volume by 1980.

Mr. John Costin, AC Delco's European area manager for the

UK and Ireland, says: "The pattern of retailing now requires a much more streamlined programme from suppliers. There are literally tens of thousands of different parts and no retailer can possibly hope to stock them all. The solution has got to be a well thought out range of key products covering the widest possible spread of vehicles."

So his organisation has 16 high-coverage lines covering both British and foreign cars.

One of the main reasons for the growth in High Street retailing in Britain is the existence of the large independent wholesale network—1,200 independent wholesalers at the last count—and the absence of networks of this sort in the rest of Europe has enabled vehicle manufacturers to retain a much bigger share of the replacement market in such countries as Germany, France and Italy.

But, inevitably, there are pressures for change on the Continent. The most recent overt example has been the

West German Cartel Office's attempt to stop Volkswagen from insisting that its appointed dealers and service points buy space parts from VW which it does not produce but which come from its component suppliers.

The Office is also looking at BMW, which it says is the only other major German car concern to bind its dealers and service points in this way so that they have to accept parts from BMW even though they are made by an outside supplier.

Excluding tyres and batteries, there is a range of between 20 and 30 parts which lead the replacement market in terms of purchasing frequency—fast-moving items such as gaskets, filters, hoses, brake pads, wiper blades and ignition parts including spark plugs.

## Widespread

A high proportion of these parts is bought by motorists to fit themselves, especially in

Britain where do-it-yourself (DIY) maintenance and repairs is more widespread than the rest of Europe.

Last year 83 per cent of Britain's 15m car owners spent an average of £85 each on parts, accessories, equipment and car care products to enable them to look after their vehicles themselves, according to a study by Industrial Market Research and Auto Accessory Retailer magazine.

The report suggests that the UK DIY market is worth £817m at the retail level, with £450m going on replacement parts (55.1 per cent of all sales in 1978). Sales of accessories to DIY motorists totalled £222m representing 27.2 per cent.

The other major market segments are maintenance and repair equipment (socket sets, spanners, nut pumps and so on) with sales valued at £93m in 1978 and car care products taking £52m.

Splitting the replacement parts segment into more detail, the study suggests that the major product groups are electrical parts, with sales of £110m; steering and transmission parts, £96m; engine parts, £94m; suspension and brake parts, £88m; and chassis and body parts, £82m. Overall in the DIY replacement parts market the leading products purchased are filters, spark plugs, dynamo and alternators and brake parts.

On where the parts are bought, the IAR report says accessory shops account for 32 per cent of the market with sales valued at £263m shared by independent accessory shops (£139m) and chain and multiple shops accounting for the remainder.

Sales through garage stores are valued at £243m or just below 30 per cent of the market. Other outlets are specialist outlets (£85m), mail order (£151m) and department stores (£34m).

According to the report one of the most important changes in the next few years is the anticipated growth of imported cars in Britain, which are now expected to account for 58 per cent of cars by 1982. It is a trend that has important implications for the aftermarket generally, and the DIY market in particular.

With this in mind a group of some of the best-known manufacturers have formed the British Automotive Parts Promotion Council, which is currently spending £200,000 on a campaign to remind independent garages that the UK can supply parts to fit nearly all makes of cars and that servicing an imported vehicle should not be beyond the ability of an averagely competent British mechanic.

K.G.

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within an easy 500 mile reach of 54% of the U.S. business payroll. For more information, write or call our man: Charles Besterman, State of Michigan, Department of Commerce, rue Ducale 41, B-1000 Brussels, Belgium.

## Michigan

# Opportunities in U.S.

AMERICAN CAR makers have been given no choice by the U.S. authorities: very stringent new fuel economy and pollution control regulations must be met progressively up to 1985. This has necessitated a huge investment in cash and engineering resources. It is also offering lucrative opportunities for those European component companies which have special expertise to offer.

To meet the fuel economy legislation the U.S. manufacturers must make smaller and lighter cars, much more like European vehicles than anything Detroit or Dearborn has offered in the past.

But Europe and the U.S. are too far apart geographically for one to provide a proper service to the other. So the Europeans have already begun to set up manufacturing and engineering operations in the States.

One of the most important factors in the changes which are rapidly being introduced in America is that General Motors, which accounts for more than half the sales in the world's biggest new car market—11m a year—with such names as Cadillac, Chevrolet, Oldsmobile, Buick and Pontiac, has decided that the diesel engine provides part of the answer to the fuel economy challenge.

Mr. E. M. Estes, GM's president, has predicted that at least 25 to 30 per cent of his group's cars will be powered by diesel engines in 1985.

General Motors must meet this target if it is to comply with the Corporate Average Fuel Economy requirements. American manufacturers have been told by Washington to cut average fuel consumption across their model ranges to 28.5 U.S. mpg from today's average of 18 mpg.

General Motors feels that the diesel option is the best means available to help meet the economy requirements while at the same time being able to

continue to offer customers a six-seater car.

If the company is right, then the U.S. is in for a diesel engine "explosion." And Europe's two big rivals in the supply of fuel injection equipment for diesels have no intention of taking a chance that GM has booted.

Robert Bosch of West Germany has been in the States for some time—it built its American plant at Charleston, South Carolina, in 1972. But its closer contact with the purchase and engineering areas of their international component suppliers, occasioned by the new generation of "world car" developments now playing such an important part in Detroit's activities.

Last September the group made the breakthrough it was hoping for in the U.S. by winning a \$10m order to supply clutches for Chrysler's new "world car" due to be launched in the early 1980s. The order, for 100,000 diaphragm spring clutches a year for five years, was secured in the face of intense competition from Japanese and West German makers as well as U.S. companies.

The clutches are a unique Automotive Products design. The group is going ahead to equip its Troy plant at the initial cost of \$2m and recruit 200 employees. The plant will be capable of producing 250,000 clutches a year but Automotive Products insists this is not excessive because of the move to manual gearchange which is expected to accompany the downsizing of American cars.

At present 85 per cent of cars on U.S. roads have automatic transmission but both General Motors and Ford have told Automotive Products that they expect 50 per cent of the new, smaller "world cars" to have manual gearchanging.

Another significant feature of the U.S. "world cars" will be that they will often incorporate front-wheel-drive. Up to now only one in 100 American-built cars has had front-wheel drive but, if the forecasts are right, that proportion will shoot up to 50 per cent by 1985.

This change has opened up enormous opportunities for Britain's biggest engineering group, GKN Keen and Nettelfolds, which has roughly one third of its turnover in automotive products including a piece of equipment used in front-wheel drive cars called the constant-velocity joint.

The joint transmits power from the engine to the front wheel and GKN holds a unique position in the development and quantity production of constant-velocity joints.

This explains why the UK group has started to build a \$42m plant at Sanford, North Carolina, to produce enough of the joints for 500,000 cars a year by 1980 (there are four of these items to each car costing around \$80 to \$140 a set). As GKN has been making about 14m constant-velocity joints a year in Europe, this U.S. venture increases output 14 per cent in one big step but already a second American plant is being planned.

GKN for some years has been trying to build up its overseas earnings because the board felt that it had too much at stake in the UK. An attempt to make a big leap forward on the Continent was foiled by the West German Cartel Office which successfully contested through the courts the UK group's proposed purchase of the Sachs clutch-making concern. As a result GKN looked to the States, another thriving and stable market.

And, apart from the North Carolina plant, GKN recently agreed to buy Parts Industries Corporation (PIC) of Memphis, Tennessee, a private company located mainly in the south central states but the fourth-

largest automotive replacement parts and accessories distributor in the U.S. Its turnover is about \$100m a year.

Turner and Newall, another UK group seeking expansion elsewhere to offset the problems of a shrinking home base, bought the Nuturn Corporation in the U.S. as a company through which the expertise in friction materials of T and N Ferodo subsidiary could be channelled.

Nuturn has been selling more than \$20m-worth of products in the replacement market under the Leland and Grizzly name.

But T and N is now expanding the business and has opened a \$10m manufacturing plant and warehouse at Smithville, near Nashville, Tennessee and expects to break into a original equipment market of heavy-duty brake blocks, all brake pads, drum brake lining clutch facings and brake assemblies—in particular for "world cars."

K.C.

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Jeff Smith



UK COMPANY NEWS

55% midterm improvement Tecaletit increases 24% lifts THF to £19.2m to end on record £4.6m

THE DIRECTORS of Trusthouse Forte, hotels, catering and leisure group, report a 55 per cent rise in profits for the half year to April 30, 1979, and anticipate a successful outcome to the full year's trading.

HIGHLIGHTS

Lex looks at the Trusthouse Forte interim figures, which show a sharp increase in profits and the company is optimistic about the full year. The big economic event yesterday was the announcement of the trade figures for May and Lex assesses a confusing set of statistics which could have important implications for the response to the two new gilt edged issues tomorrow.

RECORD PROFITS and a big increase in the dividend are reported by Tecaletit, the fluid transfer and filtration, lubrication systems, garage equipment and combustion engineering group.

Taxable profits expanded 24 per cent from £3.7m to £4.6m in the year to March 31, 1979, on turnover some £10m higher at £43.07m.

DIVIDENDS ANNOUNCED

Table listing dividends for various companies including Atwood Garages, Barroora Tea, Bradford Prop, Carr (Doncaster) Int, Comtrt Hotels, Crest Nicholson, Godfrey Davis, James H. Dennis, E.R.F., Fairdale Textiles, J. H. Fennell, Globe Inv., Hargreaves, Hawker Siddeley, J. T. Parrish, Record Ridgway, Tecaletit, Trusthouse Forte, and United Spring.

Highland Distilleries £8.7m rights

A rights issue to raise £8.66m net is announced by Highland Distilleries. At the same time the company forecasts a 10 per cent profit increase to £4.5m for the year ending August 31, 1979, and a net final dividend of 1.55p on the enlarged capital for a total of 2.1p or 3p gross—an increase of almost 25 per cent.

Results for the period include results of Colony Foods Inc, acquired in June 1978. Comparative figures include the half year results of the Australasian hotel interests dispersed in May 1978.

First half growth at Crest Nicholson

Assuming something akin to the normal 40-60 bias of the second half, full year earnings should be heading for around 12.25p per share where the p/e would be 7.7 again on a full tax charge, at 96p up 6p. The season's pattern could be disrupted if, for instance, the leisure operations suffer a bleak summer or the important housing division runs into a mortgage famine.

Mr. Nigel Bennett, chairman, anticipates that the outcome for the current year will again be satisfactory. Tax for the period took £1.93m (£1.05m). SSAP 15 has been adopted resulting in a reduction of £332,000 (£362,000). Sited earnings are 30.2p (17.9p) on a full tax charge, and 25.2p (17.9p) on SSAP 15 basis.

Record Ridgway returns to profit but passes interim. First half UK sales were £0.23m higher at £5.55m but exports slipped to £2.25m (£3.39m). With overseas turnover up at £1.42m (£1.22m) total sales were better at £10.25m against £9.95m.

Overseas, Record Tools Canada continues to do well, despite the adverse currency situation, which is restricting margins, and both the South African and Australian subsidiaries are operating profitably, Mr. Hampton says.

Highland has combined its cash call with a rather disappointing profit forecast indicating a percentage rise of less than half the average growth of the previous three years. The benefits of the 'Famous Grouse' brand are clearly taking much longer than expected to come through.

Bradford Property advances. Pre-tax profits of Bradford Property Trust increased from £4.36m to £4.67m for the year ended April 5, 1979. Earnings per 25p share are given as 29.62p (£28.67p) from an attributable balance of £2.27m (£2.19m) after tax £2.4m (£2.17m).

Mr. D. L. Donnan, chairman, states that the aim for the full year is for a substantial further advance in the progress of the group—profit last year was a record £2.51m—and we expect that this will be achieved, including a significant increase in earnings per share.

THOUGH STILL dogged by problems in its export markets Record Ridgway recovered from the £209,000 second half pre-tax loss in 1977-78, to a £118,000 profit in the six months to April 1, 1979. However, this was sharply down on the £390,000 produced at midway last time and, therefore, the company is passing the interim dividend.

Operating costs and profit margins are under constant scrutiny and corrective action is being taken wherever possible. However, group competitiveness overseas continues to be affected by the level of UK inflation and the strength of sterling, he adds.

Although Record Ridgway's first half profits show an 86 per cent shortfall, the results reflect a £0.33m turnaround on last year's second half losses. This recovery is mainly due to some improvement in home demand for band tools, although imports are still providing intense competition.

MANCHESTER & METROPOLITAN

Manchester and Metropolitan Investment Trust is raising £116,000 by the issue of 125 new ordinary 25p shares by a placing at 60p per share with last night's closing price 75p.

Yearlings jump to 12 3/4%

Interest rates on this week's batch of local authority yearling bonds has jumped from 11 1/2 per cent to 12 3/4 per cent in the wake of the MLG's announcement.

Increase seen by United Engineering

A further significant profit and earnings increase is expected in the current year by Mr. C. Boardman, the chairman of United Engineering Industries. In the year to January 31, 1979, the group lifted taxable profits from £1.0m to £1.53m.



Meat and drink for BPC You could get some nourishment from it, too

British Printing Corporation is now to be BPC formally as well as colloquially - a change which reflects the fact that the 'P' now stands for other things than Printing. Packaging and Publishing last year accounted for some 40% of turnover and over 50% of profits.

IN BRIEF

DILD SWAN HOTEL (HARROGATE) - For the year to March 31, 1979, profit £31,087 (£39,254). Tax £28,955 (£35,628). Earnings per 10p share 1.25p (1.63p). Dividend 1.00p (total £1,000,000) (adjusted 0.8614p).

Automated Security (Holdings) Limited

Automated Security (Holdings) Limited advertisement featuring a central graphic of a shield and several line graphs showing performance metrics: Turnover Up 466%, Profits Up 1,725%, Rental Income Up 770%, Rental Assets Up 680%, Per Share Assets Up 400%, Per Share Earnings Up 130%, and Copies of the Annual Report & Accounts for the year ended 30th November 1978 can be obtained from Automated Security (Holdings) Limited, 25/26 Hampstead High Street, London NW3 1QA.

ISE Canadian Finance Ltd. 9 1/2% Guaranteed Debentures due 1986. Notice is hereby given to Debenture holders that during the twelve month period ending May 1, 1979, no debentures were purchased.

UK COMPANY NEWS

Fenner profits fall to 2.8m at interim stage

TRIAL DISRUPTIONS, led with generally weak... Fenner's interim profits...

Table with columns: Half year, 1978, 1977. Rows: Net profit, Dividend, etc.

R.F. little changed after six months

LLY unchanged tax profits of £1.73m in the half ended March 31...

Commercial vehicles last year against 2,846 and the transport strike and a poor winter...

Utd. Spring goes ahead to £0.82m at halfway

TAXABLE profits of United Spring and Steel Group, spring manufacturer, steel stockholder...

Comment: Fenner's first half was not particularly bright—volume was virtually static...

John Carr (Doncaster) up midway

From turnover of £9.24m against £8.77m, profits before tax of John Carr (Doncaster)...

Revenue rise at Globe Investment

Revenue of Globe Investment Trust came through higher at £10.45m for the year ending March 31, 1979...

DEACON GROUP

The Deacon Group of Companies points out that it is in no way connected with Deacon, Davies and Fox mentioned in yesterday's list of companies wound up.

Godfrey Davis record year

As indicated at midway, Godfrey Davis, the car hire specialist and Ford main dealer...

Comment: At 127p, up 7p, shares in Godfrey Davis are just 1p below the annual peak...

Fairdale at record £603,648

FOLLOWING A rise from £166,090 to £202,145 at halfway, taxable profits of Fairdale Terriers finished the January 27, 1979 year at a record £603,648...

Hargreaves finishes marginally ahead

AFTER HIGHER depreciation and interest charges, taxable profits of Hargreaves Group finished the March 31, 1979, year marginally ahead at £3.47m against £3.42m.

£93,475 for Attwood Garages

Attwood Garages turned in taxable profits of £93,475 in the year to January 31, 1979, compared with £90,355 last time.

Clark, Son and Morland downturn

Clark, Son and Morland, West Country sheepskin specialist, reports a pre-tax profit of £86,000, compared with £118m for the year ended February, 1979.

Today's company's meetings

Brixton Estate, 22-24, Ely Place, 12.15. City of Oxford Investment Trust, 41 Bishopsgate, EC, 11.30. Howker Sideley, Dorchester Hotel, W, 12. Holywell, 66 Knightsbridge, SW, 12. Pentland Industries, Kingmaker House, Station Road, New Barnet, Herts, 12. Piccadilly Theatre, Piccadilly Theatre, Denndam Street, W, 11. Provincial Insurance, Brewery Art Centre, Highgate, Kendal, Cumbria, 1.30. Richardson's Westgarth, St. Ermin's Hotel, Caxton Street, SW, 12. Seccombe Marshall, 7 Birch Lane, EC, 3.30. Shiloh Solomers, Holden Fold, Royston, 11.30. Securities Trust of Scotland, 29 Charlotte Square, Edinburgh, 12. F. W. Woolworth, Connaught Rooms, Great Queen Street, WC, 11.45.

GREAT NORTHERN INVESTMENT

Due to an agency error comparative taxable and net revenues of Great Northern Investment Trust were incorrectly given in yesterday's paper. The figures should have been £1,896,900 and £1,085,142 respectively.

MINING NEWS

Hemerdon share allotment soon

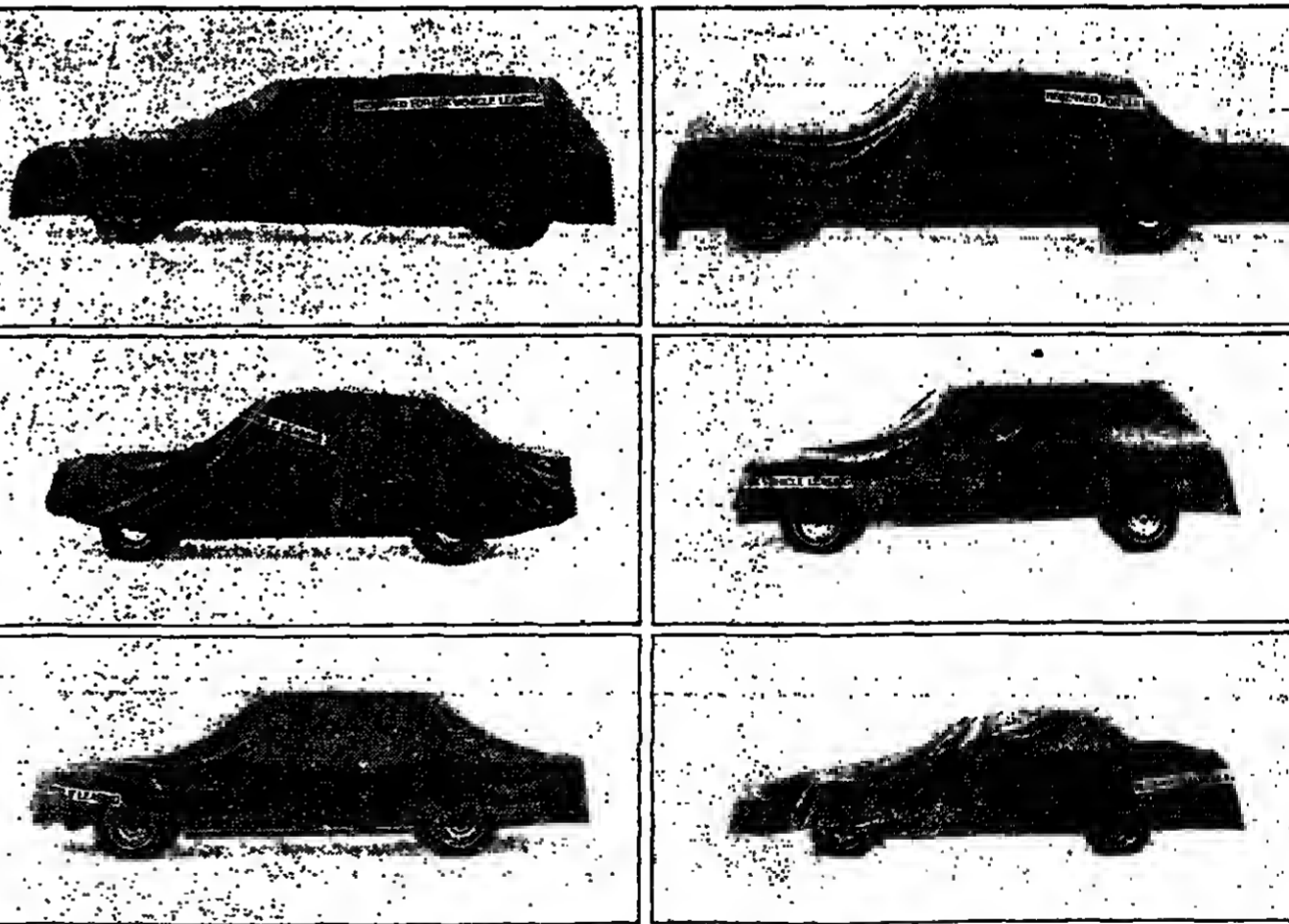
AGREEMENT has been reached between Dunwoody of Toronto and Mr. W. A. (Billy) Richardson over the allotment of shares in Hemerdon Mining and Smelting, a Bermuda-registered company...

Gt. Bear Lake uranium find

A URANIUM find has been made at Louisa Lake, near Great Bear Lake, in Canada's Northwest Territories by Kelvin Energy as operator of a six-hole drilling programme...

NORTH BH STAKE IN BH SOUTH

North Broken Hill, the Australian base metals and investment group, has lifted its stake in BH South to 19.3 per cent from 18.4 per cent by share purchases in the first half of the month.



You name it, Lex lease it.

Lex Vehicle Leasing advertisement text: Lex Vehicle Leasing is backed by the full resources of the nationwide Lex Service Group. Includes contact information and a coupon for more details.

Resilience of family businesses

Advertisement for Edith Investment Trust Limited, featuring a testimonial from Lord Seeborn and financial data. Includes the text: 'I am constantly impressed by the resilience and high quality of the family companies in which we are invited to buy shares.'

# TRUSTHOUSE FORTE LIMITED

Interim Statement for the half year ended 30th April 1979

	Half Year to 30th April 1979	% Increase	Half Year to 30th April 1978	Year to 31st October 1978
Trading Receipts	321.9	19%	270.1	613.8
Trading Profit	26.1	32%	19.8	70.1
Financial charges	(6.9)		(7.4)	(14.6)
Profit before Taxation	19.2	55%	12.4	55.5
Taxation (estimated)	(7.7)		(5.3)	(22.3)
Profit after Taxation	11.5		7.1	33.2
Minority interest	(0.3)		(0.2)	(1.5)
Profit (after taxation and minority interest)	11.2	62%	6.9	31.7

Accounting policies are as stated in the last annual accounts. The above profits are after charging depreciation of £8.1m (1978 £5.9m) and are before adjusting for currency translation differences. The above figures are unaudited and include the half-year's results for Colony Foods Inc., acquired in June, 1978. The 1978 results include the half-year results of the Australasian hotel interests disposed of in May, 1978.

The greater part of the year's profit is produced in the second half of the financial year. The good start reported above is most encouraging and we again anticipate a successful outcome to the full year's trading. The interim dividend has been increased to 2p per share (1978 adjusted for 1 for 1 scrip issue—1.425p) in respect of the year to 31st October, 1979 and this will be paid on 1st October, 1979 to shareholders on the register on 3rd September, 1979.

For reservations at over 800 hotels worldwide contact your travel agent, or telephone the hotel direct, or use our worldwide reservations system by telephoning any of these numbers:

Belfast (0232) 46711	Glaegow (041) 221 6164
Birmingham (021) 236 3951	Leeds (0532) 31287
Cardiff (0222) 371889	Liverpool (051) 236 0841
Durham (0385) 62561	London (01) 567 3444
Edinburgh (031) 226 4346	Manchester (061) 959 6111

There are also reservations offices in Amsterdam, Brussels, Chicago, Dublin, Frankfurt, Los Angeles, Madrid, Milan, New York, Paris, Stockholm, Tokyo, Toronto and Washington.



## JERSEY GENERAL INVESTMENT TRUST LIMITED

Directors  
 MAURICE LETTO, F.C.I.S. (Chairman)  
 Advocate L. C. INGRAM (Vice Chairman)  
 SIR GILES GUTHRIE, Bart., O.B.E., D.S.C.  
 The Rt. Hon. THE EARL OF JERSEY  
 P. MALET DE CARTERET  
 R. G. MALTWOOD  
 DR. L. H. THURSTON, Ph.D.

Financial Highlights for the year ended April 30th, 1979

	1979	1978
Earnings per Ordinary share	15.97p	14.42p
Dividend per Ordinary share	14.50p	13.00p
Total Net Assets	£20,823,956	£18,833,301
Net Asset Value per Ordinary share	337p	316.50p

**Extracts from the Chairman's Statement**

The year under review has been one of wide variance in the international economic outlook, coupled with considerable volatility in foreign exchange rates. Nevertheless, it is gratifying that we can once again present accounts which show a continuance of the steady growth of income and capital which is the objective of the Trust.

For the first time in the Company's history the total net assets at the year end exceeded twenty million pounds.

The world economic prospect remains in a fluid and uncertain state. Inflation and unemployment remain apparently intractable problems in a number of countries. Crude oil prices continue to escalate and the business cycle appears to be moving towards a recessionary phase. The revision of many forecasts and indicators is now more frequently downward than optimistic. Interest rates have risen to new high levels, particularly in North America and, whilst they may not yet have reached a peak, there will need to be some reduction before industry can be revitalised by the introduction of more modern techniques and machinery leading to a growth in productivity.

It is particularly in difficult times such as these that the benefits of a well-managed international portfolio of securities, as can be seen in our distribution of investments, can provide the private investor with the security and steady growth pattern which he seeks.

Copies of the Report and Accounts are available from the Secretary of the Company, 21 Broad Street, Jersey, C.I.

## BIDS AND DEALS

# Opposition to Hawthorn Leslie acquisition plans

Devis Investments, a Jersey based investment company, has written to shareholders of R. and W. Hawthorn Leslie urging them to reject the company's acquisition plans.

Earlier this month Hawthorn Leslie revealed that it had agreed to buy two engineering companies, Jedmond Engineers and Flash Fasteners for a maximum of £854,076. At the same time the group announced that compensation for its nationalised marine engineering interests totalling £1.48m had been agreed with the Government.

Now Devis Investments, which is run by Mr. Tom Scrase, a stockbroker, and which holds some 3 per cent of Hawthorn Leslie has urged shareholders to reject the proposals at an EGM this Friday.

Mr. Scrase accepts the Board's argument against voluntary liquidation but suggests that the next best course would be to find a bidder interested in Hawthorn Leslie as a "cash shell". Mr. Scrase believes the company's net assets worth about £1 a share though in view of pending litigation and its loss making subsidiary he reckons a bidder would only be prepared to pay about 95p.

Major shareholders of Hawthorn Leslie include M and G and Prudential Assurance. It is understood that M and G intend to vote with the Board but Prudential, which holds about 6 per cent, has said it will wait until it has heard the arguments of both sides.

**WALTER LAWRENCE**  
 Walter Lawrence, construction and engineering group, has formed Walter Lawrence Homes, to expand its activities in the private housing field.

**MACANIE**  
 The Cardiff premises of a subsidiary of Macanie (London), the clothing manufacturer, have been acquired through compulsory purchase by the local authority.

The subsidiary, Wilkinson Riddell and Larkins, has moved into nearby rented accommodation. The vacated premises have been sold for £235,000 cash, against a book value of £42,000.

The capital raised will be used to provide additional working capital to support the general wholesaling activities of the Wilkinson Riddell Group.

**SOILBOURNE**  
 Soilbourne's offer to acquire Collett, Dickenson Pearce International has been accepted in respect of a total of 3,140,130 new ordinary shares (9,490 and 3,140,130 deferred shares (94 per cent)). The offers will remain open for acceptance until further notice.

**SIME DARBY/UMI**  
 United Malaysian Insurance Company Berhad has become a subsidiary of Sime Darby Malaysia Berhad following the issue of 4m new shares by UMI under its scheme of reconstruction. Of the total, 3.8m shares have been issued to the wholly-owned subsidiary of Sime Darby Holdings. The remaining 199,313 shares have been issued to other UMI shareholders. Sime had earlier acquired 1m shares in UMI.

## UK COMPANY NEWS

### Advance by Private Patients

A SUCCESSFUL year in 1978 for Private Patients Plan is reported by Mr. J. F. Phillips in his chairman's statement. Despite the anxiety and concern over the problems of the National Health Service, the company, the second largest medical insurance agency in the UK, recorded a growing number of subscribers, a record subscription income, benefit payments and operating surplus.

The total number of members at the end of 1978 stood at just over 230,000, against 206,000 at the beginning of the year. Mr. Phillips reports that the overall private health care market had grown in 1978 and PPP's growth was even better with its market share rising from 19.4 per cent to 19.7 per cent.

Subscription income last year rose nearly 20 per cent from £19.9m to £23.8m and investment income by 29 per cent from £1.1m to £1.4m. Benefit payments were nearly 15 per cent higher at £15m—65 per cent of subscriptions. After a higher tax charge of £684,000, the excess of income over expenditure was £1.1m, compared with £2.9m in 1977.

Mr. Phillips points out that the company had always regarded the private sector of medicine to complement the services of the NHS and he was pleased to see some statement in the political hostility towards private medicine.

During 1978 the Health Services Board had recommended the closure of a further 269 NHS pay beds. But this had been partially offset by the provision of 228 new private surgical beds. The company's policy now was to expand substantially its scale of financial assistance to the building or extension of private hospitals by making loans at nominal rates of interest.

### J. T. Parrish makes strong recovery

After more than doubted mid-way profits of £16,000, against £37,300, J. T. Parrish reports pre-tax surplus for the year ended January 27, 1979, sharply increased from a depressed £51,770 to a record £199,450. Turnover improved by some £0.5m to £3.9m.

After tax of £100,733 (£24,342) net profits for the year were well ahead from £27,428 to £98,717. From earnings per 25p share of 13.71p (3.51p) the dividend is raised from 3.83p to 4.40p net.

No shareholders questioned the chairman yesterday on the moves or on the group's performance for the year. The former's business took less than 30 minutes to complete.

### Tarmac first half 'will not be good'

Tarmac's interim results will not be good and may not even reach last year's figure of £6.3m, Mr. Edwin Wright, chairman, told shareholders at yesterday's annual meeting.

The comment is gloomier than a similar statement in the annual report and, after the meeting, Mr. Wright said that when the report was prepared in April the company had just been through one of the worst winters for 16 years.

"Bed winters in the past in the UK have not usually presaged a bed overall performance for the group," he added in the annual report, "but made his annual address slightly more pessimistic was the very wet May."

"Today is the second full day of sunshine this summer. The ground is still wet from the rain in May and it has delayed our recovery from the bleak winter."

### Downturn at Baraora Tea

Turnover down from £1.88m to £1.53m and pre-tax profits cut from £837,573 to £427,923 are reported by Baraora Tea Holdings for 1978.

Stated earnings per 25p share are more than halved from 49.4p to 22.1p. An interim dividend of 10p is declared but no further payment for the year is intended—the previous total of 20p included a 10p final.

The directors say clearance

## THE BROCKS GROUP

Points from the circulated statement of the Chairman, Mr. C. M. Bank:

Pre-tax profits have increased by £320,402 to £1,013,650 and earnings per share are up from 4.17p to 11.54p. The final dividend of 2.261p net per share is the maximum permitted. A scrip issue of 1 for 5 has been approved.

Both profits and turnover of the Marine Division showed an increase over the previous year and the order book for this year is satisfactorily ahead. I am confident that this division will make further progress this year.

The new and exciting acquisition of the Micro-Ceuit Division will have a significant impact on the future of the Group.

The Authorised Share Capital of the Company is to be increased from £1,300,000 to £2,000,000 as we intend to expand the business of Brocks by further acquisitions.

The Group is in a good position to take advantage of growth in the electronics industry.

THE BROCKS GROUP OF COMPANIES LTD · POOLE · DORSET · TEL: 01204 4541



Highlights for the year to 31st March, 1979

Turnover	£8,705,919	an increase of 53.5%
Profit before Tax	£1,212,115	an increase of 101.4%
Total Dividend	£224,658	an increase of 101.7%
Earnings per share	21.27p	an increase equivalent to 71.53%

Copies of the Annual accounts may be obtained from:  
 The Secretary, Milbury Limited  
 178 Old Wellington Road, Eccles, Manchester M30 9QJ



**GROUP ACTIVITIES**  
 Manufacturers of hot drop forgings and pressings in ferrous and non-ferrous metals, investment castings and special purpose machines. Electrical installation and repairs and electrical surface heating.

**RESULTS**

Year ending 28th February	1979	1978
Sales	30,911	27,235
Profit before Taxation	1,363	1,748
Profit after Taxation	1,340	1,251
Ord. Dividends per share (Actual)	11.02p	9.97p
Earnings per share	38.1p	38.7p

**MR. D. J. MEAD, CHAIRMAN, REPORTS**  
 Sales of £30,911,000 for the year were up on the previous year, but pre-tax profits were reduced. Sales from our Forging Division fell during the period due to a lack of demand, resulting in a very poor year. However, the outlook has improved. Castings Division now forms a major part of the Group's activities and the year's results were very encouraging. It was generally a disappointing year for the Manufacturing Division, but the Electrical Division traded successfully with satisfactory increases in turnover and profits. Prospects for next year are reasonable and we are hopeful of profits returning to their former level, somewhat in line with 1977/78 figures.

Copies of the full Statement and Accounts can be obtained from the Secretary.

THE DERITEND STAMPING COMPANY LTD.  
 St. Richard's House, Victoria Square, Droitwich, Worcestershire WR9 8DS.

## BODYCOTE INTERNATIONAL LIMITED

1978 REPORT AND ACCOUNTS HIGHLIGHTS

	1978	1977
Turnover	£29,864,980	£25,702,797
Profit before tax	£2,063,453	£2,039,591
Profit after tax	£1,834,437	£1,431,910
Earnings per share	20.70p	18.14p
Dividends per share	3.0323p	2.7155p

Mr. J. C. Owek, Chairman and Managing Director, reports:

- After a fairly difficult start 1978 must be regarded as one of definite achievement with the ground laid for future growth and more positive development.
- The acquisition of Blandburgh Ltd., a heat treatment engineering company, in April, 1979, initiated a policy of diversification and the construction of a more broadly based industrial group.
- The industrial and general textiles division has performed well but the industrial protective clothing and safety products division remains a keystone of the group's corporate strategy. The product range, particularly in the area of specialised technical hazard clothing, has been extensively enlarged.
- The new £750,000 continuous process plant for William Denby (textile processing division) will be on-stream by the end of June.
- Despite the national industrial disruption and abnormal weather early in the year we are quite confident that 1979 will be a good year for us.


Copies of the Report and Accounts may be obtained from the Secretary, Bodycote International Limited, 104, Stamford Street, Manchester M18 9LR.

## The Nineteen Twenty-Eight Investment Trust Limited

Directors:  
 The Rt. Hon. Viscount Bearsted, T.D., D.L. (Chairman)  
 Bryan R. Basset (Deputy Chairman) Douglas S. Allison Christopher A. Kaeley, F.C.A. Sir John King  
 John S. K. Oram Alastair F. Roger Anthony P. Simonian Brian A. C. Whitmee, F.C.A.

	Year ended 31.3.79	%	Five years ended 31.3.79	%
Performance statistics				
Net asset value	+18		+73	
Middle market price <small>(Stock Exchange Daily Official List)</small>	+23		+99	
Rate of dividends (net)	+14		+99	
Retail Price Index	+10		+105	
Distribution of investments at 31st March 1979				
Equities and convertibles				
U.K.			65.2%	
Overseas			29%	
Fixed income			5.1%	

Copies of the Report and Accounts can be obtained from Philip Hill (Management) Limited, 8 Waterloo Place, London SW1Y 4AY.



## Public Works Loan Board rates

Effective from June 9

Years	Quota loans repaid at			Non-quota loans A* repaid at		
	by EIP†	at maturity‡	by EIP†	at maturity‡	by EIP†	at maturity‡
Up to 5	11½	11½	12½	12½	12½	12½
Over 5, up to 10	11½	11½	12½	12½	12½	12½
Over 10, up to 15	12½	12½	13½	13½	13½	13½
Over 15, up to 25	12½	12½	13½	13½	13½	13½
Over 25	12½	12½	13½	13½	13½	13½

\* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

## Notice of Meeting

Notice is hereby given that an Extraordinary General Meeting of Members of The National Bank of Australasia Limited will be held at the registered office of the Company 31 Queen Street, Melbourne, on Thursday, July 12, 1979, at 2.30 p.m.

**Special Business:**  
 The Meeting will be asked to consider and, if thought fit, to pass a special resolution altering the Articles of Association.

Following changes made from time to time to the listing requirements of the Australian Associated Stock Exchanges, it was considered appropriate to review the Bank's Articles of Association and to seek amendment to those Articles which do not conform with existing Stock Exchange regulations.

Directors will also seek adoption at the Meeting of two additional Articles designed to formalise arrangements for retirement from the Board (Article 75) and to simplify the maintenance of the Share Register (Article 33A). The Members of the Company have been notified of the detailed changes proposed in the Notice of Meeting.

By Order of the Board  
 L. L. Rex, Secretary  
 May 10, 1979.

**Proxies**  
 A Member or other person entitled to vote may appoint not more than two proxies to attend and vote instead of him. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Member's voting rights. A proxy need not be a Member of the Company.

 **The National Bank of Australasia Limited**  
 (Incorporated in the Commonwealth of Australia)

*J. Phillips*

CURRENCIES, MONEY and GOLD

Pound strong

LING rose sharply in late afternoon on news that Britain's deficit narrowed to £185m from £237m in April.

FRANKFURT—The dollar was fixed at DM 1.8740 against the D-mark, the lowest level since March 20, compared with DM 1.8881 on Monday.

MILAN—The lira improved against the dollar, but lost ground against the D-mark and other EMS currencies.



fter standing at 68.1 at 10.00 in early trading, the dollar lost ground against major currencies on fears of U.S. inflation, and lower prime rates.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns for Currency, Unit, % change, and % change from 1978. Lists currencies like Franc, Mark, D.M., etc.

CHANGE CROSS RATES

Table showing exchange rates for Sterling, Mark, Franc, etc. against the Pound Sterling.

CURRENCY INTEREST RATES

Table showing interest rates for London dollar certificates of deposit for various terms.

INTERNATIONAL MONEY MARKET

U.S. rates steady

od for bills continued in yesterday, with Treasury quoted at 8.93 per cent, unchanged from Monday's 8.92 per cent.

was quoted at 5.55-5.70 per cent against 5.50-5.75 per cent while the three-month rate eased to 6.30-6.40 per cent from 6.30-6.50 per cent.

MONEY MARKET

Full credit supply

of England Minimum Rate 14 per cent since June 12, 1979.

The market was helped by a small excess of Government disbursements over revenue transfers to the Exchequer.

MONETARY RATES

Table with columns for Currency, Rate, and % change. Lists various international currencies and their rates.

THE POUND SPOT AND FORWARD

Table showing pound spot and forward rates for various countries like U.S., Canada, etc.

THE DOLLAR SPOT AND FORWARD

Table showing dollar spot and forward rates for various countries like UK, France, etc.

CURRENCY RATES

Table showing currency rates for various countries like Sterling, U.S., etc.

CURRENCY MOVEMENTS

Table showing currency movements for various countries like Sterling, U.S., etc.

OTHER MARKETS

Table showing other market rates for various commodities like Argentina Peso, etc.

All these securities having been sold, this announcement appears as a matter of record only.

NIPPON SHINPAN CO., LTD.

8,000,000 Shares of Common Stock

- Daiwa Europe N.V., Berliner Handels- und Frankfurter Bank, Sanwa Bank (Underwriters) Limited, etc.

- Algemene Bank Nederland N.V., A.E. Ames & Co. Limited, Dai-ichi Securities Co. Ltd., etc.

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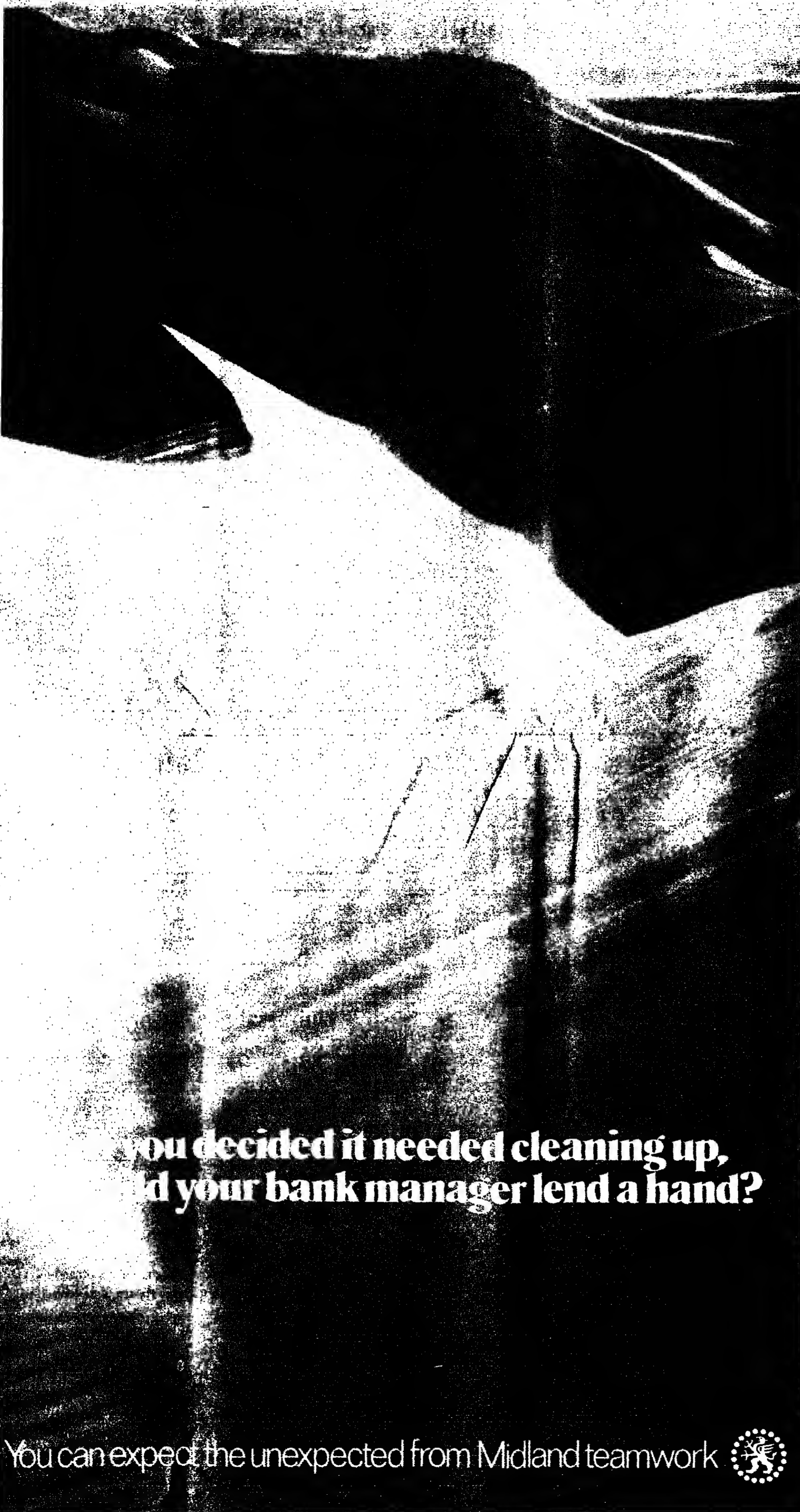
EUROBONDS

- July 11, August 13, September 10, October 15, November 12, December 10

Universal Foods Corporation advertisement with details about a \$10,800,000 private placement of 600,000 newly-issued shares of Common Stock.

There is a limited amount of advertising space available each month; if your company is interested in taking advantage of this offer please contact:

Martin J. Haims advertisement, International Managing Director, Institutional Trading Department, The Financial Advertisement Department on 01-248 8000.



Imagine telling your bank manager you were thinking of cleaning up sand in the Middle East and needed a little help. Imagine the reaction. Disbelief? Laughter? That's what you'd expect.

But if he's a Midland Bank manager, you should begin to expect the unexpected.

Because, as a matter of fact, somebody did come to us with exactly that idea. And we listened. And we discovered that they designed a sand reclamation plant, which actually did clean sand, extracting all extraneous matter and minerals and so making it of uniform quality; after which it could be used to produce moulds for foundry castings. The plant was also used to recycle sand which had been previously used for such mouldings.

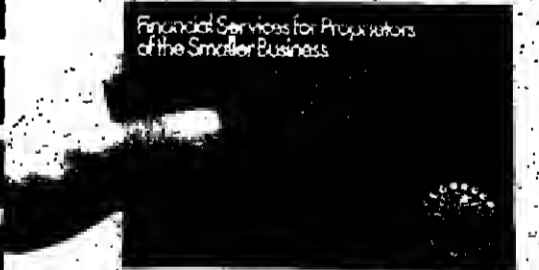
Your Midland Bank manager can give you help, whatever you're exporting, however unusual. Because he has at his disposal a highly skilled team of specialists who can, between them, help with business problems.

Specialists like Midland Bank's Panel for Overseas Trade Development, a team of experienced people who can meet exporters to advise on export development. And like the Overseas Trade Promotion Department, who can provide you with information about trading conditions in foreign countries... and provide confidential status reports on overseas companies.

Start thinking of your Midland manager and his team as the people to deal with your business needs. Because, thanks to teamwork, you can expect us to help with a lot of things you'd never expect.

**When you decided it needed cleaning up, would your bank manager lend a hand?**

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Room 26, PO Box 2, Sheffield S1 3GG

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**Midland Bank**

Midland Bank Limited

شركة الميدلاند



THE AMERICAN NEWS

Sharp first quarter rise in General Instrument

NEW YORK—Sharply higher quarterly results are reported by General Instrument Corporation. Net earnings rose by 50 per cent from \$1.1 million to \$1.65 million...

General Instrument will provide a chance for the General Instrument to prove that it has changed from a few years ago. In the late 1960s, some investors became disenchanted with the company because "we did not deliver on our promises," he recalled.

Amdahl sees rise in shipment

EVANSTON, Ill.—Amdahl's second quarter shipment of computers will be far below expectations, but the company is leaning toward the view that shipments will be up in the first quarter of 1979.

cause customers are still deciding whether to purchase or lease computer systems. He expects the current increase in leases over sales to be around for some time to come.

Xonics arranges financing terms

PLAINFIELD, N.J.—Xonics has set the terms of its major financing plan. As known, the company is to be used to pay its debtors, to restructure with Litton Industries working capital.

Xonics' resulting common shares outstanding, Xonics said. Four institutional lenders received \$2.2m and a total of 200,000 shares of common stock and 5,000 shares of participating preferred stock to satisfy debts which amounted to about \$13m.

Surprise repurchase of stock by Lone Star

By Stewart Fleming in New York LONE STAR INDUSTRIES, the largest cement producer in the U.S., has announced plans to purchase 1m of its 11.3m shares at a price of \$25.50 each.

Liberty Loan may seek Chapter 11 protection

LIBERTY LOAN Corporation, the consumer finance group, may seek protection under Chapter 11 of the Federal Bankruptcy Act because eight major lenders are balking at a plan to refinance \$182m of debt.

with the demurring lenders, Bank of St. Louis, First National Bank in St. Louis, National Bank of Detroit, First National Bank Trust, Oklahoma City, First National Bank of Louisville, Mid-City National Bank, Chicago, The Equitable Life Assurance Society and New England Mutual Life Assurance.

subordinated and capital 12 year notes of \$25.6m bearing interest of 7 1/2 per cent for the first five years increasing to 9 per cent for the balance of the term.

Lana Knit Ireland reduces workforce

NEW YORK—Lana Knit (Ireland), the wholly owned Irish subsidiary of Jonathan Logan, was substantially reducing its workforce. Mr. Richard J. Schwartz, chairman and president of Jonathan Logan, said.

INTERNATIONAL BOND SERVICE

List shows the 200 latest international bond issues for which an adequate secondary market for further details of these or other bonds, see the complete list of Eurobond prices published each Monday of each month.

Table with columns: Issued, Bid, Offer, Change on day, Yield. Lists various international bonds like Avco Fin, Ford, etc.

Gulf Oil forecasts improvement

NEW YORK—Gulf Oil Corporation, citing improved profit from its gasoline refining and marketing operations, said that 1979 is likely to be its best year since 1974.

13.6m barrels on June 1. The company hopes to increase stocks of distillate to 13m barrels by September, from 5.7m on June 1.

recognition of the "oil" regulation would provide the company with about \$250m in additional pre-tax income.

French bank sells U.S. unit SAN JOSE—Banque Paribas, parent of Bank of the West, said that it had sold a 10 per cent interest in Bancwest to Banc of California.

AT & T ahead

American Telephone and Telegraph has turned in quarterly net earnings of \$1.48n or \$2.01 or \$1.90 a share for the corresponding period last year.

International Mogul optimism

TORONTO—Mr J C Lamcraft president of International Mogul Mines said the company expects 1979 earnings to equal or exceed last year's operating earnings of \$3.2m or \$1.41 a share.

we favour corporate acquisitions which fit best with our tax position, we are also reviewing possible asset acquisitions.

Maremont-Aluisisse Maremont Corporation's directors and those of Swiss Aluminium approve the already announced acquisition of Maremont by Aluisisse.

Three dollar Eurobond issues launched

THREE NEW dollar issues were launched yesterday: two in the form of straight issues for U.S. investors and one for U.K. investors.

with a minimum coupon of 5 1/2. This is the second FRN bond issue for this borrower.

Prices were about 1/4 of a point softer across the board in the straight dollar bond sector yesterday.

Investors are displaying a certain nervousness when faced with yet another Swiss franc-denominated convertible for a Japanese corporate name.

Warner Lambert, the triple-A rated U.S. pharmaceutical group, is raising \$100m in the form of a straight bond with a five-year bullet maturity.

The FRN for the Royal Bank of Scotland has a final maturity of 15 years, but the notes are redeemable at the note holder's option after seven years and at two-yearly intervals thereafter.

in the Swiss franc sector, most seasoned issues received small gains for the second day running.

Such is not the case of the 12 Japanese borrowers who have received permission from the Ministry of Finance in Tokyo to arrange dollar-denominated issues in the quarter to the end of September.

Carter Hawley Hale Finance NV is a wholly-owned subsidiary of a large U.S. retail group which includes the Neiman Marcus store in Dallas.

The issue is guaranteed by Carter Hawley Hale Credit Corporation, which is a single-A rated name.

They include such prime names as Mitsubishi Corporation, C. Itoh, Embren, Toray, Sumitomo Heavy Industries, Asahi Optical, Toshiba, Nippon Steel, Nippon Seiko, Hitachi Zosen, Nippon Yusen, Cannon and Itoh Yokado.

UNIBOND TRUST advertisement. Includes text: NOTICE IS HEREBY GIVEN that the income distribution... and details of the \$3,000,000 Multi Currency Floating Rate Loan.

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Companies and Markets **INTNL. COMPANIES and FINANCE**

**EUROPEAN CHEMICALS**

**Bayer and Montedison increase sales**

BY OUR FINANCIAL STAFF

**SHARP INCREASES** in sales are reported by two of Europe's major chemical companies—Bayer of West Germany and Montedison of Italy—for the opening months of this year. Over the first five months of 1979, sales at Bayer AG are running some 14 per cent ahead of the comparable 1978 period, while at Montedison sales growth over the opening four months is 24 per cent for the group as a whole.

As a direct result of the improved demand, Herr Herbert Gruenewald, Bayer's managing board chairman, told yesterday's annual meeting that higher profits could be expected for 1979. He added that if all goes well shareholders would "receive an appropriate dividend this year."

The chairman based his predictions on the favourable economic climate in Germany and Europe, as well as continuing growth in the U.S. Both turnover and capacity usage had this year increased sharply. For Bayer sales during the five months had risen by 19 per cent with the parent company's domestic turnover ahead by 7 per cent. Over the period, Bayer's worldwide sales had improved by 13 per cent in DM equivalent, Herr Gruenewald declared.

At Montedison, Italy's largest chemical group, consolidated sales during the four months were outpaced by the parent company performance where turnover improved by a full 30 per cent to L1,260bn (\$1.5bn). A crucial problem facing

Bayer this year was the extent to which price increases, ranging from naphtha to aromatics, can be passed on to customers. Bayer estimated that increased raw material prices would lift costs by DM 600m this year. On average selling prices last year dipped by 4 per cent. So far this year prices "have returned" to year-ago levels following higher petrochemical prices.

Touching on the subject of capital spending, Bayer explained that its world group fixed asset investment would total around DM 2bn (\$1.05bn) in 1979, a slight increase on last year's DM 1.78bn. However, the higher investment did not suggest that any "spectacular financial measures" could be expected from Bayer this year,

the company noted. It was pointed out that the issue in January of the £200m option bond by Bayer International Finance NV has been successfully placed.

The company also pointed out that it planned to sell its minority stakes in the two German tyre companies Continental Gummi-Werke AG and Phoenix AG when the offers present themselves. Bayer acquired just over 11 and 20 per cent respectively in Conti and Phoenix when the three shareholders of Corona Beteiligungs-Gesellschaft decided to dissolve the company. Bayer will transfer its remaining 25 per cent shareholding in Chemische Werke Huels AG to Vebs AG at the turn of this year for a price of DM 150m.

**Dutch borrowers move shorter**

BY OUR FINANCIAL STAFF

**THE TREND** to shorter maturities in the Dutch capital market shows every sign of gathering pace as the cost of long term debt causes new borrowers to think twice about the length of their loan commitments.

Long term bond issues have now moved up to within range of double figures following the government's recent decision to borrow over 15 years on a coupon of 9 per cent.

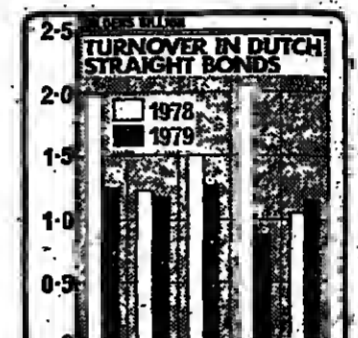
Against this background the corporate sector has had little option but shorten up.

The latest new issue to opt for a maturity of seven years is the insurance company Ennia which is borrowing Fls 100m on a coupon of 8 per cent—or a full quarter point less than that attached earlier this month to the AKZO seven-year bond.

At the same time, the Ennia offering is priced at par whereas the AKZO loan has eased to 99 in early dealings compared with an issue price of 99½. Name is the ingredient here with the insurer's credit rating far less of a debt market risk than AKZO whose recent earnings performance has been marred with losses.

However, over the past week

the Amsterdam market has been hardening, in sympathy with the trend in West Germany where bond markets after an almost unprecedented shake-out have finally stabilised. Dutch dealing volume has also begun to improve.



During the first four months of this year turnover was running more than a third down on the comparable months of 1978. In May, the pattern suddenly reversed with a rise of 9 per cent, since when dealers in Amsterdam have continued to report increases in activity.

In Frankfurt, bond markets

are holding on to their recent price recovery. The new West German state loan is in demand, notably at the ten-year end, and both the 7½ per cent and 8 per cent tranches of the stock have moved to premiums over their issue prices. The ten-year issue has risen to 100.5, against an issue price of 99½.

The response to Monday's issue of long-dated Schulscheine has been much more muted. The ten to 15 year promissory notes have been issued right in line with the market and as such give no official lead to yield levels.

The ten-year tranche offers a return of 8.15 per cent and yields rise from 8.2 per cent to 8.24 per cent between 11 and 12 years. The longest, 15-year issue returns 8.35 per cent, and the initial reaction by the investing institutions is described by dealers as favourable.

Looking further ahead, the next major test for the German market could be a new loan by the Federal Railways (Bundesbahn). The new issue consortium is expected to meet in Frankfurt later this week to decide on terms.

**Swiss fund assets hit by currency**

By John Wicks in Zurich

**THE FOREIGN** exchange strength of the Swiss franc depressed the asset valuation of the international investment fund, Intervall, during the year ended April. The fund reports assets of SwFr 49m (\$28.8m) compared with SwFr 55.3m a year earlier.

Total net revenue of Intervall, which is an affiliate of Swiss Bank Corporation, fell from SwFr 2.08m to SwFr 1.81m over the year with per share declining from SwFr 1.91 to SwFr 1.86 following a reduction in the number of certificates in circulation. Dividend is to be of a gross SwFr 1.50 per certificate.

At the same time, the American securities fund American Valor, which is connected to the same bank, is to pay a gross SwFr 11.50 per certificate after a fall in per share profits from SwFr 12.10 to SwFr 11.87 for the 12 months ended March 31. Holdings over the period increased from SwFr 24m to SwFr 25m.

Another Swiss Bank Credit Suisse is to reduce from SwFr 4.80 to SwFr 4.50 the dividend per certificate for its European fund Europa-Valor in respect of the year ended April 30. While holdings rose by 22.5 per cent over the period to SwFr 45.2m, earnings were affected by exchange rate developments. For the same bank's Swiss share fund Schweizer Aktien, however, dividend is being raised from SwFr 5 to SwFr 5.40 per certificate.

In 1978-79 this fund's holdings increased sharply from SwFr 146.5m to SwFr 187.2m.

**NN wins over Georgia Life**

BY CHARLES BATCHELOR IN AMSTERDAM

**NATIONALE-NEDERLANDEN** (NN), the largest Dutch insurance group yesterday announced a bid for the Atlanta-based life insurance company of Georgia. Its acquisition means that the contribution of international operations to the total revenue will rise to 40 per cent from 35 per cent.

NN last week signed loan agreements for \$120m and Fl 212m to finance part of its bid of \$80 per share. Its operations in the U.S. now comprise three life and two non-life insurance companies, apart from Georgia Life. Its total assets are nearly Fl 3.5bn (\$1.87bn) while revenue amounts to about Fl 1bn. This represents 15 per cent of total group revenue.

The Atlanta company's 1978 net profit was \$24m on total revenue of \$335m, comprising \$175m premium income and \$60m investment income. In the first quarter of the year ended March 31, net profits rose by 13 per cent

Georgia Life has 134 service offices in 11 states in the southern U.S. It has a staff of 1,450 and about 2,750 agents. Its acquisition means that the contribution of international operations to the total revenue will rise to 40 per cent from 35 per cent.

The early stage of negotiations between the two companies was not smooth with the Atlanta company revealing last October that it had rejected a bid before it had been publicly announced that talks were under way. NN later denied that the talks had reached the stage of a formal bid. The price NN has paid for Georgia Life's shares is 810 higher than the level originally considered.

Dutch investment fund Rolinco has emerged from the third quarter of 1979 with a near 5 per cent increase in net assets. During the three months, assets per share improved to Fl-130.5 from the Fl 125 seen

at the end of the first six months.

The fund attributed the growth to higher prices for energy stocks during the period. Rolinco said that it continued to maintain a strong cash position in the third quarter. In the light of uncertainties in the major economies in which it has investments.

At the end of the quarter, total net assets were Fl 2,243bn compared with Fl 2,223bn at the end of the second quarter. During the most recent period, Rolinco increased its investments in the U.S. to 33.5 per cent of the total from 32.2 per cent, decreased investments in West Germany to 6.4 per cent from 7.6 per cent, and decreased investments in Japan to 18.1 per cent from 18.9 per cent.

The proportion of investments in the Netherlands was little changed at 11.4 per cent compared with 11.5 per cent at the end of the second quarter.

**Jordan forward exchange move**

By Rami G. Khouri in Amman

**THE CENTRAL BANK** of Jordan is drafting regulations to establish an organised foreign exchange forward market before the end of this year. The need for such a market has been sorely felt by international contractors and large Jordanian trading establishments, particularly since the Government started quoting all its contracts in Jordanian dinars early last year.

Contractors had covered themselves by borrowing dinars locally at the time of contract signing to hedge against any fluctuation in the dinar's value during the life of the contract, but this practice has been banned by the central bank because of the strain it places on the local credit market.

The central bank has allowed contractors to borrow dinars only to cover the local component of their contracts, but this still leaves large contracts without forward cover for most of the value of the contract.

The central bank regulations are primarily aimed at preventing speculative dealings and creation of artificial demand that would strain the Jordanian market. The regulations are expected to be finalised, and the forward market started, within the next few months, central bank officials said in Amman.

**Gruner & Jahr expands in U.S.**

By Guy Hawtin

**GRUNER & JAHR**, West Germany's largest publishing company, has moved its U.S. operations through the acquisition of Bemis Printing Company's subsidiary Brown Printing Company.

Already Gruner & Jahr's U.S. empire is substantial. The Hamburg-based group owns Bantam books and is publishing an English language version of its highly successful "Geo" geographical magazine there in direct competition with "The National Geographical Magazine."

Brown Printing operates out of Minnesota, Pennsylvania and Kentucky, in the offset and gravure printing fields. It employs some 1,800 workers and total sales in 1978 amounted to \$77m.

**Heuer-Leonidas in the red as turnover declines**

BY OUR ZURICH CORRESPONDENT

**THE LEADING** stopwatch manufacturer Heuer-Leonidas SA, of Bienna, booked a parent company loss of SwFr 1.25m (\$781,000) for last year following a small profit of SwFr 0.27m for 1977. Group turnover fell by some 20 per cent from SwFr 22.29m to SwFr 17.82m due mainly to unfavourable exchange rates and supply problems.

Heuer-Leonidas, which also produces chronometers and other precision timepieces, expects to return to a positive cashflow and a net profit position again in 1979.

Among foreign subsidiaries, the UK company Heuer Time booked a per cent rise in turnover last year due largely to the introduction of the French watch collection "Michael Herbellin." Heuer Time showed a profit for the year's operations.

technical ceramics.

Group cashflow went up from DM 51m to DM 33.7m in 1978 and consolidated net profit from DM 9.1m to DM 10m (\$5.29m) of this total. Parent company profits were up from DM 3.35m to DM 4.18m.

After its \$188m tender offer for Maremont Corporation of the U.S. has expired—the Maremont board agreed to the acquisition earlier this week—Alusuisse intends to have Maremont call all of its class "A" preferred shares at a call price of \$100 per share plus accrued dividends.

**Italian rail bond issue**

**Ferrovie dello Stato**, the Italian state railways, is raising L100 bn (\$118m) through a seven-year bond issue carrying a coupon of 12 per cent.

The borrowing is the first of several planned for 1979. A further issue for L200bn, also for seven years, will be made shortly while the autumn railway is planning a \$200m, seven-year Euroloan.

**German bank move by BUE**

**PARIS**—Banque de l'Union Europeenne (BUE) is consolidating its German activities by selling its shareholding in one bank and acquiring a majority interest in another.

BUE is to put into effect an agreement made last December with the Royal Bank of Canada on selling the Canadian institution its 38 per cent stake in Burgardt und Nottebohm AG

**gft**

**GRUPPO FINANZIARIO TESSILE**  
Societa per Azioni—Capitale Sociale Lit.5.500.000.000  
Head Office: Torino (Italia) — Corso Emilia, 6  
**U.S.\$6,500,000 Convertible Bond Loan 8% 1973-1981**  
No. 11 Dividend Coupon Payment July 1, 1979

Bondholders are hereby informed that the expiring coupon will be payable as from July 1st, 1979, at the following banks:

- BANQUE GUTZWILLER, KURZ, BUNGENER S.A. — GENEVE
- BANCA DEL GOTTARDO — LUGANO
- BANQUE INTERNATIONALE A LUXEMBOURG S.A.
- BANCA PREALPINA — LUGANO
- ROTHSCHILD BANK A.G. — ZURICH

**FINA**  
**PETROFINA**  
Société Anonyme

**Summary of the 1978 Annual Report**

**Highlights of the year**

Finance in thousands of S	1978	1977
Petrofina consolidated profit	99,927	89,661
Cash flow (profit before depreciation)	224,146	217,248
Sales and other revenues	3,808,025	3,617,039
Duties and taxes	1,052,025	924,185
Fixed assets (net of depreciation)	1,763,188	1,557,986
Exchange rate	60,394	62,547
Operations	1978	1977
Production of crude (in thousands of metric tons)	7,950	7,746
Crude oil processed in the Group refineries	25,600	24,100
Sales of finished products (in thousands of metric tons)	30,700	29,400
Sales of natural gas (in millions of cubic metres)	5,500	4,930

\* Figures adjusted for the purpose of comparison with 1977

**Report of the Board of Directors**

Despite a first half year adversely affected by the consequences of the economic crisis, a temporary overproduction of crude oil and a further depreciation of the dollar, Petrofina's consolidated profit was 0.35 billion Belgian francs, i.e. 3,808,025 francs per share, compared with 3,617,039 francs in 1977, an increase of 7.5%.

The improvement, which became particularly noticeable in the last two months of the year, is continuing.

We propose to distribute a dividend of 190 Belgian francs per share net of withholding tax, compared with 180 Belgian francs for the previous year.

The improvement in the results would have been more than 1,200 million Belgian francs (322 million) were it not for the extraordinary items which affected the 1977 and 1978 results.

The cash flow was 14,141 million Belgian francs (3,808,025,000) an increase of 4%.

The consolidated turnover amounted to 38,080 million Belgian francs (3,808,025,000), an increase of 3,900 million francs. In relation to this figure, the total consolidated profit (including minority interests) represents 2.6% in 1977.

Investment expenditure for the year 1978 amounted to 13,900 million Belgian francs (3,900 million) of which was for exploration production.

The investment budget for 1979 has been fixed at 15,000 million Belgian francs (3,900 million) of which will be allocated to exploration production.

**Finance**

Petrofina's consolidated net income for the year 1978 was 6,950 million Belgian francs (3,808,025,000) compared with 6,500 million francs (3,617,039,000) in 1977.

Because of the wide fluctuations in exchange rates, the expression of the net income in Belgian francs at the rates of exchange in force at the end of the year no longer provides an adequate representation of our profit for the year. That is why, bearing in mind that the income was constituted gradually over the course of the year and also in view of the increase in capital expenditure, the average annual exchange rate for the various currencies has been used both to calculate the consolidated net income and as the historic rate of exchange for the fixed assets bought during the year by the foreign subsidiaries.

The net income of 6,950 million francs (3,808,025,000) compared with 6,500 million francs (3,617,039,000) in 1977 is the result of an exceptional items having entered into the 1978 results at 89,661 million francs. These items represented a net profit of 1,234 million Belgian francs.

The net dividend of 2,241,466,500 Belgian francs (541,751,000) corresponds to a gross dividend of 2,161,870,815 Belgian francs (532,129,000) on which a withholding tax of 839,374,163 Belgian francs (209,436,000) is paid by the company on behalf of the shareholders.

Coupon FP 73 will be payable as from May 13, 1979 at the rate of BF 150 net after tax.

Copies of the English edition of the 1978 Annual Report and Accounts are available on application to Petrofina UK, Ltd, Petrofina House, 101, Road London SE17 7HT

This announcement appears as a matter of record only.



**GENSTAR FINANCE N.V.**

(Curaçao, Netherlands Antilles)  
a wholly owned subsidiary of

**GENSTAR HOLDING N.V.**  
(Rotterdam, the Netherlands)

**US \$ 60,000,000**  
**8-Year Revolving Term Loan**

Provided by

- AMSTERDAM-ROTTERDAM BANK N.V.
- BANQUE EUROPEENNE DE CRÉDIT (BEC)
- DEUTSCHE BANK
- COMPAGNIE FINANCIERE LUXEMBOURG
- MIDLAND-BANK LIMITED

Arranged by

**BANQUE EUROPEENNE DE CRÉDIT (BEC)**

as Agent



INTERNATIONAL COMPANIES and FINANCE

Hong Kong seek ing

LONG Manufacturing... the edible oil manu... is making a public... of its shares, and... a listing on the Stock... of Singapore.

Canadian Tire buys into Australian hardware group

TORONTO — Canadian Tire Corporation has announced that it has entered an agreement to purchase an AS2.2m (US\$7.4m) convertible note of McEwans, the largest hardware retailer in Australia, reports AP/D.

Toncoro sets growth target

By Our Johannesburg Correspondent TONGAAT COROGRUP—the brickmaking conglomerate created last October through the merger of Coroa Industrial with Primrose Industrial Holdings—is set to raise earnings a share by more than 22 per cent from the 14.1 cents achieved in 1978-79.

CDs widen yen money market

TOKYO—The introduction of yen certificates of deposits in mid-May would encourage the liberalisation of Japan's rigidly-controlled interest rate structure and lead to the development of a fully-fledged short-term money market in Japan, according to Mr. Yasuhiro Kuga, deputy research director of Fuji Bank.

Union Steel profits increase

BY OUR JOHANNESBURG CORRESPONDENT THE Union Steel Corporation, of South Africa, the major specialist steel and alloy producer in which the Government-owned Metkor has a 31 per cent stake, increased its taxed profit by 33 per cent to R1.8m (\$2.1m) in the first four months of 1979, from its level in the same period of the previous year.

Table with 2 columns: Investment type and Value. Includes items like 'Capital Fixed Interest Portfolio' and 'Income Fixed Interest Portfolio'.

Harvey & Ross Investment Management Ltd. Cornhill, London EC3V 3PB. Tel. 01-623 6314. Index: Guide as at June 14, 1979.

Santa Fe International Finance Corporation

Notice of Redemption. Santa Fe International Finance Corporation. 9 1/2% Guaranteed Bonds due 1988. NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of July 15, 1978 among Santa Fe International Finance Corporation, Santa Fe International Corporation and The Chase Manhattan Bank (National Association), as Trustee, \$500,000 in principal amount of the above Bonds will be redeemed through operation of the Sinking Fund on July 15, 1979 at the principal amount thereof together with accrued interest thereon to said redemption date.

U.S. \$50,000,000 Canadian Pacific Limited 9 3/4% Collateral Trust Bonds due 1989. Orion Bank Limited. A. E. Ames & Co. Limited. Pierson, Heldring & Pierson N.V. Salomon Brothers International. Swiss Bank Corporation (Overseas) Limited.

U.S. \$20,000,000 United States Leasing International Finance N.V. 10% Guaranteed Notes due 1984. Guaranteed by United States Leasing International, Inc. Orion Bank Limited. Banque Bruxelles Lambert S.A. Smith Barney, Harris Upham & Co. Incorporated. Swiss Bank Corporation (Overseas) Limited. S. G. Warburg & Co. Ltd. Westdeutsche Landesbank Girozentrale.

WORLD STOCK MARKETS

Wall St. moves irregularly in early trading

INVESTMENT DOLLAR PREMIUM \$2.90 to \$1.401% (391%) Effective 5/22/79 (131%) TRADING ON Wall Street was still quite active yesterday morning, but stock prices failed to establish a decided trend and displayed mixed movements at mid-session.

Canada An easier trend developed on Canadian markets in another active early trade yesterday, with the Toronto Composite index receding 6.4 to 1,970.8 at mid-day.

Germany Bourse prices declined over the weekend, brokers stating that a wide range of factors had weighed on the market.

NEW YORK - DOW JONES Table with columns for June 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 1979, and 1978. Includes sub-tables for Standard and Poors and MONTREAL.

NEW YORK Stock market listing table with columns for Stock, June 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 1979, and 1978. Includes sub-tables for AMSTERDAM, BRUSSELS/LUXEMBOURG, and AMSTERDAM.

CANADA Stock market listing table with columns for Stock, June 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 1979, and 1978.

GERMANY Stock market listing table with columns for Stock, June 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 1979, and 1978.

Table with columns for June 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 1979, and 1978. Includes sub-tables for AMSTERDAM, BRUSSELS/LUXEMBOURG, AMSTERDAM, and COPENHAGEN.

EUROPEAN OPTIONS EXCHANGE Table with columns for Sense, Vol., July, Last, Oct., Last, Jan., Last, Stock.

BASE LENDING RATES Table with columns for Bank, Rate, and other details.

Table with columns for Price, + or -, Div., Yld. %.

Table with columns for Price, + or -, Div., Yld. %.

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COMMODITIES AND AGRICULTURE

Commodity form call

Commodities Editor
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by better criteria than...
rivalry in order to...
increasing world disa...

British grain harvest forecast down 5-10%

BY RICHARD MOONEY

THIS YEAR'S British cereal crop will fall well short of last year's record level but probably not by as big a margin as had been feared, agricultural merchant Mr. John Powling said in London yesterday.
He told a press conference the crop was likely to be at least 5 per cent down on last year's, currently estimated at 17m tonnes. But if yesterday's brighter weather does not continue the fall could be as high as 10 per cent, he added.
However, even the lower figure would be much higher than some pessimistic forecasts made earlier in the year which put the crop as low as 14m tonnes.
"A cool, wet growing season has helped the crops develop remarkably well considering that wheat went in to winter under very poor conditions had to survive and recover from the worst winter for at least 16 years," Mr. Powling said.
"Anything other than a wet, cool spring would have caused considerable losses. However, sunshine is

wanted now to help to fill, mature and ripen the crops."
But, he said, farmers should not be too depressed about their reduced yields as grain prices were "looking good." Feed wheat and barley futures were about £9 a tonne higher than at this time last year, he noted, while milling wheat was fetching about £13 more and malting barley about £10 more.
Mr. Powling said the increased offtake of domestic wheat by millers last year had encouraged farmers to plant more high quality seed. He said only a few wheat varieties occupied 30 per cent of the total wheat acreage compared with 22 per cent last year.
Yields for milling wheat are now not far behind those for feed wheat and with the present grain up to about £10 a tonne, plus a year ago quality varieties are proving even more attractive to farmers.
He said winter sown crops need not be particularly late to harvest though everything depended on the weather in July. In Kent and the south he

thought winter barley could be combined from about July 23. The spring barley, though late, was catching up well "but it is not what you would call drought."
There are some good winter rape seed crops but many kale seed and winter oats crops did not survive.
Mr. Powling said potatoes had the latest planting in memory. "A loss of three to four weeks early in the season will surely mean a loss of nearly 10 per cent yield, plus additional reductions due to an estimated reduction of eight per cent in acreage."
The 1979 ECC grain harvest is also likely to fall below last year's record level, according to Britain's Home Grown Cereals Authority.
In its latest weekly digest, the authority says "official estimates put the total ECC crop at between 108m and 112m tonnes compared with 116m in 1978.
The reduction is expected to be equally divided between wheat and barley.

Record farm borrowings

By Our Commodities Staff

FARMERS BORROWED a record £58m from the Agricultural Mortgage Corporation in the last financial year.
Presenting the corporation's annual report in London yesterday, AMC chairman Mr. John Glyn said loan advances rose to £50.8m in the year to March 31 from £46.24m the previous year. Loan repayments totalled £18.02m, leaving net lending at £32.8m.
But loan applications dropped away during the year. At March 31 applications for loans totalling £8.4m were awaiting completion compared with £15.7m a year earlier.
Mr. Glyn said this drop was mainly due to a reduced activity in the last quarter. Another factor was increased competition from the banks, who increased the amount and length of their term loans to agriculture.
Agriculture had increased its indebtedness during the year, he said, reflecting continuing effects of inflation, high taxation, high land prices and declining profitability. "The industry as a whole has an underlying liquidity problem," Mr. Glyn said.
The AMC chairman noted, however, that despite the 48 per cent rise in the price of vacant possession land to £1,635 an acre "in real terms the price of land has not quite yet regained its peak of 1974."

INTERNATIONAL WHALING COMMISSION Growing pressure for moratorium

BY RICHARD MOONEY

AT FIRST sight the balance of power within the International Whaling Commission, which began its 31st annual session in London on July 9, appears little changed since last year's talks.
Then there were 17 members of whom seven were actively engaged in whaling. There are still seven whaling members but the non-whaling lobby has swollen to 12. The two new members are the Republic of Korea, which still hunts whales, and the Seychelles, which ceased whaling in 1915.
The other new non-whaler is Australia, whose whaling industry finally ceased to exist last autumn. Australia had already opposed whaling, however, so it does not represent a new vote for the anti-whalers.
Following a Government enquiry, Australia has already announced its intention to ban all whaling within its 200-mile economic zone, including the area it is claiming in the Antarctic. And it has tabled a new strong motion for the IWC talks calling for a complete worldwide ban on whaling.
A slightly less extreme motion has been put forward by the U.S. for a moratorium on all commercial whaling which excludes only "aboriginal" whaling such as that by the Eskimos of Alaska.
And a third proposal, by the Seychelles, calls for a three year pause in sperm whaling.
But the adoption of any of these has would require a 75 per cent vote in the commission and even if all the non-whalers voted in favour this would only represent 63 per cent.
The Seychelles delegation, headed by Commissioner Bernard M. Loustau-Lalanne, hopes that the existence of the more extreme Australian and U.S. proposals might lead some whaling nations to do no more than take a narrow vote for their own whales. But he admits this is a very faint hope.
However, the Seychelles has other strings to its bow. It is also proposing the establishment of a whale sanctuary in the Indian Ocean and action to curb "pirate" whaling under flag of convenience.
Dr. Lyall Watson, the

Seychelles' deputy commissioner, believes the prospects are more hopeful for the sanctuary plan "if not this year then next." It is possible, he says, that Denmark might be prepared to vote for the sanctuary in a trade-off for support for the aboriginal take of the Greenland eskimos.
There is also some hope of abstentions from the whaling side on this question and for this reason the Seychelles delegation has drawn the commission's attention to its rides on voting which it claims indicate that the percentage requirements refer to votes cast and not the entire membership.
Dr. Watson, the author of the best-selling book "The World's Whales" and the Indian Ocean, where nearly a quarter of the world's whale harvest is taken, is the ideal location for the sanctuary.
There is no land-based whaling from surrounding countries; it is an easily definable and recognisable area, and there is no significant whaling in the area by non-IWC members. The Seychelles has already banned whaling in the 500,000 square miles of the Ocean represented by its own economic zone and has inhibited all the other coastal states on making the whole ocean a sanctuary, "with encouraging response," said Dr. Watson.
There is a danger, however, that the sanctuary could prove to be a happy hunting ground for whalers operating outside IWC control. Where there are national concerns operated by non-member countries such as Chile, Peru and Spain they are susceptible to political and economic persuasion. But this is not true of the "pirates."
These cut-throat enterprises, says a Seychelles position paper issued ahead of the July meeting, "operate largely with expertise and equipment made redundant by IWC members' cuts in quotas. They are not under flag of convenience such as those of Cyprus and Taiwan.
They are brutally indiscriminate and wasteful, taking every whale they encounter, regardless of species, size, sex or scientific status; and they do so wherever they please, violating national jurisdictions and areas specifically closed to whal-

ing by the commission," says the paper.
The Seychelles' IWC proposals are designed to frustrate these operators. It is calling for action to restrict the availability of expertise and equipment from member nations and to limit their access to markets in member nations.
This call will be supported by evidence claimed to prove the Japanese, South African, Norwegian and British nationals are directly involved and that these countries provide financial and managerial assistance to the pirates as well as providing them with outlets for their products.
Though Dr. Watson admits to having "fallen in love" with a 20 tonne right whale while diving some years ago the sudden emergence of the Seychelles in the forefront of the great whaling debate is not based entirely on sentiment.
"We are not anti-whaling," says Mr. Loustau-Lalanne. "We may wish to take advantage of this important maritime resource ourselves at a later date so it is in our interests to prevent the continued plundering of our waters by the rich developed nations."
In a letter to other Indian Ocean states the Seychelles Commissioner pointed out that at last year's IWC meeting the 17 member countries "for a variety of political and economic reasons" once again made a gift of more than 200,000 metric tonnes worth over \$300m in the Soviet Union and Japan—the second and third most wealthy nations on earth."

Jamaica to cut bauxite levy

KINGSTON — The Jamaican Government is planning to cut its levy on bauxite, imposed in 1974, to make its bauxite more competitive, Mr. Eric Bell, Ministry Minister, said here yesterday reports Reuters.
Mr. Bell said Jamaica was losing its share of the world bauxite market. The proposed cut in the levy, at present 7.5 per cent of the average aluminium ingot price on the U.S. market, was aimed at making the country's output more competitive. In return, Jamaica was seeking assurance from the bauxite-producing companies on production and the restructuring of plant.
He noted that current Jamaican bauxite output of between 11.5m to 12m tonnes a year was well below the 1974 figure of some 15m tonnes.
Mr. Bell said the Ministry of Aluminium, the U.S. producer, confirmed yesterday it is invoking a seven per cent cutback in primary aluminium deliveries. This follows a reduction in supplies from Dow Chemical because of the strike at three Alcan smelters in Quebec and stoppages at Consolidated

Lake Charles smelter have also reduced cut supplies available to the company.
On the London Metal Exchange yesterday, first market aluminium prices fell here yesterday reports Reuters.
Copper led the rise. Trade buying interest, and strong upward trend in New York, pushed cash wirebars up by 24 to £209.5 a tonne.
The London Metal Exchange exchange yesterday, first market aluminium prices fell here yesterday reports Reuters.
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Strikes hit Canadian wood plants

By Victor Mackie

OTTAWA — Hundreds of woodworkers in British Columbia staged wildcat strikes yesterday and told their union leaders they were not satisfied with the progress in contract negotiations.
The strike, by members of the International Woodworkers of America, developed although the union had agreed to a 7.5 per cent wage increase and the union had said the negotiations were continuing in a "positive atmosphere."
A walk out by 100 loggers closed MacMillan Bloedel Northwest Bay division on Vancouver Island. Another strike closed the BC forest products sawmill at Yonhou, 50 km northwest of Victoria.

Tin producers to meet

BY WONG SULONG

KUALA LUMPUR—Ministers of tin-producing countries will meet in Jakarta next month to discuss their position on the Sixth International Tin Agreement, which is expected to operate in 1981.
Mr. Paul Leong, the Malaysian Minister of Primary Industries said yesterday the production weaknesses of the current Tin agreement and how these weaknesses could be rectified in the coming agreement.
From the producers' point of view, he said, the fifth agreement had two basic weaknesses:

first, the price range of the tin buffer stock operations were unrealistically low, resulting in the frequent breaches of the ceiling price, and second, the size of the buffer stockpile was too small to be effective in stabilising prices.
Mr. Leong said a team from the Malaysian Mining Corporation, the biggest tin mining group, would visit Bolivia in September to discuss a tin dredge mining venture with the Bolivian Mining Corporation.
MNC would under take to build the dredge and operate the mine in Bolivia.

ISH-COMMODITY MARKETS

Table with columns for METALS, RUBBER, COFFEE, SOYABEAN MEAL, SUGAR, WHEAT, BARLEY, and SILVER. Includes various market data and prices.

AMERICAN MARKETS

Table with columns for PRICE CHANGES and Tuesday's closing prices. Includes various market data and prices.

EUROPEAN MARKETS

Table with columns for INDICES, FINANCIAL TIMES, MOODY'S, and DOW JONES. Includes various market data and prices.

REUTERS

Table with columns for various market data and prices. Includes various market data and prices.

INSURANCE BASE RATES

Table with columns for Property Growth, Vanbrugh Guaranteed, and Address shown under Insurance and Property Bond Table.

The Energy Crisis

Impact on commodities
Inter Commodities Limited

member of all UK Commodity Markets and the London Metal Exchange
we produced a comprehensive report on how the crisis is likely to affect the supply, usage and price of the following raw materials:
Aluminium, Nickel, Zinc, Copper, Platinum, Silver, Gold, Lead, Tin, and Rubber

Wool Futures

Table with columns for Wool Futures, including various market data and prices.

Record China cotton imports forecast

WASHINGTON — Chinese cotton imports this season (ending July 31) are expected to total a record 500,000 tonnes compared to 350,000 in 1977/78, according to the U.S. Department of Agriculture (USDA).
In a report on the agriculture situation in China, the USDA said the continuing large imports result from low stocks, rising demand, and reduced levels of domestic production.
China's textile fibre requirements increased significantly last year, with output rising by 16 per cent, the USDA said.
However, much of the increase is attributable to large production and use of synthetic fibres.
Chinese plans call for increases of 10 per cent or more in national cotton production during both 1979 and 1980, the Department added.
Reuter

COTTON

LIVERPOOL—Spot and shipment sales in Liverpool amounted to 40,000 bales, the largest for the week so far, said a spokesman here.
The market was buoyant, and prices were firm. The market was buoyant, and prices were firm. The market was buoyant, and prices were firm.

May trade figures confuse the market and both Gilts and equity leaders finish on an uncertain note

Account Dealings Dates Optima First Declara- Last Account Dealings Dates... The after-hours announcement of the latest UK trade returns confused stock markets yesterday and one firm of leading jobbers decided temporarily to cease trading in both equities and Government securities.

Chris Moran firm Insurances took a turn for the better but the volume of business was modest. Buying ahead of today's preliminary results helped Christopher Moran rise 4 to 40p, after 41p among brokers.

Stores rally Having sustained heavy post-Budget falls on fears that the sharp increase in VAT would adversely affect sales, Stores staged a useful rally. W. H. Smith A 175p, and Raybeck 132p, rose 7 apiece, while Gushes and Yorkshire added 4 to 70p.

LONDON TRADED OPTIONS Table with columns for Option, Exch, Vol, and various price points for different stocks like BP, Shell, and ICI.

Business in Breweries remained at a fairly low ebb and the leaders closed slightly off the top. Bass improved 4 to 214p, while Scottish and Newcastle closed a couple of pence to 72p.

Motor Distributors continued the previous day's rally, although trade remained relatively light. Godfrey Davis pleased with sharply increased profits and dividend, spurring 7 to 127p.

FINANCIAL TIMES STOCK INDICES Table showing various indices like Government Secs, Food Interest, Industrial, and Gold Mines with their respective values and percentage changes.

HIGHS AND LOWS S.E. ACTIVITY Table showing high and low prices for various stocks and their activity in the South East market.

NEW HIGHS AND LOWS FOR 1979 Table listing new high and low prices for various stocks throughout the year 1979.

RISES AND FALLS YESTERDAY Table showing the daily price movements of various stocks, categorized by rise and fall.

APPOINTMENTS

T. J. Manners is Issuing Houses deputy chairman

Mr. T. J. Manners of Lazard Brothers and Co., has been elected deputy chairman of the ISSUING HOUSES ASSOCIATION in place of Mr. Graham Walsh, who on July 1, takes up his appointment as director general of the Panel on Take-overs and Mergers.

OPTIONS

DEALING DATES Premier Oil, Oil Exploration, Scottish and Newcastle Breweries, Westbrick Trust Houses Forte, Ultramar, Cartiers, Saunel Properties, Spillers, Lombr, Town and City Properties and B & O (Retail).

ACTIVE STOCKS

Table listing active stocks with columns for Stock, Deomin, Closing, Change, 1978, and 1979 prices.

RECENT ISSUES

Table listing recent issues of stocks with columns for Issue, Amount, Date, and Price.

FIXED INTEREST STOCKS

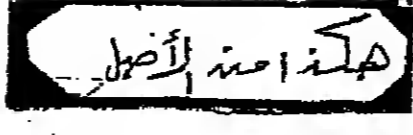
Table listing fixed interest stocks with columns for Stock, Issue, Amount, Date, and Price.

FT-ACTUARIES SHARE INDICES

Table showing FT-Actuaries Share Indices for various equity groups and sub-sections, including Capital Goods, Consumer Goods, and Industrial Group.

FT-ACTUARIES SHARE INDICES

Table showing FT-Actuaries Share Indices for various equity groups and sub-sections, including Capital Goods, Consumer Goods, and Industrial Group.



AUTHORISED UNIT TRUSTS

Table of authorised unit trusts with columns for name, manager, and details.

Table of unit trusts including names like 'Minster Fund Managers Ltd.' and 'M&A Unit Trust Management Ltd.' with associated financial data.

Table of unit trusts including names like 'Schlesinger Trust Mgmt. Ltd.' and 'Tower Unit Trust Mgmt. Ltd.' with associated financial data.

OFFSHORE AND OVERSEAS FUNDS

Table of offshore and overseas funds with columns for fund name, manager, and details.

INSURANCE AND PROPERTY BONDS

Table of insurance and property bonds with columns for company name, policy details, and financial information.

NOTES section containing additional information and disclaimers regarding the fund listings.

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FT SHARE INFORMATION SERVICE

FOREIGN BONDS & RAILS

Table with columns: 1974 High, 1974 Low, Stock, Price, Div. Yield, etc. Lists various international bonds and rail shares.

BANKS & HP—Continued

Table with columns: 1974 High, 1974 Low, Stock, Price, Div. Yield, etc. Lists bank and public utility shares.

CHEMICALS, PLASTICS—Cont.

Table with columns: 1974 High, 1974 Low, Stock, Price, Div. Yield, etc. Lists chemical and plastic industry shares.

ENGINEERING—Continued

Table with columns: 1974 High, 1974 Low, Stock, Price, Div. Yield, etc. Lists engineering and manufacturing shares.

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Table listing various British investment funds with their respective prices and yields.

Five to Fifteen Years

Table listing British investment funds with 5-15 year maturities.

Over Fifteen Years

Table listing British investment funds with over 15 year maturities.

Undated

Table listing undated British investment funds.

INTERNATIONAL BANK

35 100 5pc Stock 77-82 82 1/2 [4.31] 12.00

CORPORATION LOANS

Table listing various corporate loans with interest rates and terms.

LOANS

Table listing various types of loans and their details.

AMERICANS

Table listing American stocks and bonds with prices and yields.

CANADIANS

Table listing Canadian stocks and bonds.

BANKS AND HIRE PURCHASE

Table listing bank and hire purchase shares.

Hire Purchase, etc.

Table listing hire purchase and similar financial services.

BEERS, WINES AND SPIRITS

Table listing shares in the beer, wine, and spirits industry.

BUILDING INDUSTRY, TIMBER AND WOODS

Table listing shares in the building and timber industry.

DRAPERY AND STORES

Table listing shares in the drapery and retail stores industry.

ELECTRICAL AND RADIO

Table listing shares in the electrical and radio industry.

FOOD, GROCERIES, ETC.

Table listing shares in the food and grocery industry.

INDUSTRIALS (Miscel.)

Table listing miscellaneous industrial shares.

FINANCIAL TIMES PUBLISHED IN LONDON & FRANKFURT Head Office: The Financial Times Limited, Bracken House, 10, Cannon Street, London EC4P 4BY

EDITORIAL OFFICES Manchester: Queen's House, Queen Street, Tel: 646113 Tel: 624 9281 Moscow: Moscow, P.O. Box 1256, Arzobanov-C. Tel: 241 555

ADVERTISING OFFICES Advertising: P.O. Box 1256, Arzobanov-C. Tel: 241 555 Edinburgh: 37 George Street, Tel: 72484 Tel: 031-226 4120

SUBSCRIPTIONS Copies obtainable from newspapers and bookstalls worldwide or on regular subscription from Subscription Department, Financial Times, London

CHEMICALS, PLASTICS

Table listing chemical and plastic industry shares.

ENGINEERING MACHINE TOOLS

Table listing engineering and machine tool shares.

FOOD, GROCERIES, ETC.

Table listing food and grocery industry shares.

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INDUSTRIALS—Continued

Table of industrial stocks including Shell, BP, ICI, and various other companies with columns for stock name, price, and change.

INSURANCE—Continued

Table of insurance stocks including Lloyds, Prudential, and various other insurers.

PROPERTY—Continued

Table of property-related stocks including various real estate and construction companies.

INVESTMENT TRUSTS—Cont.

Table of investment trusts including various funds and trusts.

FINANCE, LAND—Continued

Table of finance and land-related stocks including banks and financial institutions.

DAIWA logo and company information.

MINES—Continued

Table of mining stocks including various mineral extraction companies.

OILS

Table of oil-related stocks and commodities.

OVERSEAS TRADERS

Table of overseas trading companies.

RUBBERS AND SISALS

Table of rubber and sisal stocks.

TEAS

Table of tea stocks.

MINES CENTRAL RAND

Table of central rand mining stocks.

EASTERN RAND

Table of eastern rand mining stocks.

FAR WEST RAND

Table of far west rand mining stocks.

LEISURE

Table of leisure-related stocks.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade stocks.

Commercial Vehicles

Table of commercial vehicle stocks.

Components

Table of component stocks.

Garages and Distributors

Table of garage and distributor stocks.

NEWSPAPERS, PUBLISHERS

Table of newspaper and publisher stocks.

PAPER, PRINTING

Table of paper and printing stocks.

SHIPPING

Table of shipping stocks.

SHOES AND LEATHER

Table of shoe and leather stocks.

SOUTH AFRICANS

Table of south african stocks.

TEXTILES

Table of textile stocks.

TOBACCO

Table of tobacco stocks.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land stocks.

INSURANCE

Table of insurance stocks.

PROPERTY

Table of property stocks.

FINANCE, LAND, ETC.

Table of finance, land, and other stocks.

FINANCE, LAND, ETC.

Table of finance, land, and other stocks.

DIAMOND AND PLATINUM

Table of diamond and platinum stocks.

MISCELLANEOUS

Table of miscellaneous stocks.

NOTES

Notes section containing various financial notices and announcements.

REGIONAL MARKETS

Table of regional market data.

OPTIONS

Table of options data.

3-month Call Rates

Table of 3-month call rates.

CENTRAL AFRICAN

Table of central african stocks.

Rent from £1.25 sq ft... Fairview Creating hives for industry

Doubts after DC-10 flights are resumed

EUROPEAN AIR authorities yesterday gave the go-ahead for a resumption of DC-10 flights. But there was continued official uncertainty about the aircraft's design and about the prospects of an early return to normal operations.

Inflation crisis in W. Germany

THE BUNDESBANK today warns that West Germany's battle against inflation had entered a critical phase, and serves notice both to banks and Government that it will not budge from its tight monetary policies.

More smiles from Trusthouse Forte

There was a time when Trusthouse Forte scarcely broke even in the first half of its financial year. Yesterday, by contrast, it reported interim profits of £19.2m pre-tax, a rise of 55 per cent on 1977-78.

Index rose 3.7 to 486.6



The foreign punter will probably be most attracted to the £15 paid issue of Exchange 124 per cent 1999.

Rights issue

It turns out that shareholders took up only a quarter of the Thomas Tilling rights issue. The main reason why this issue has been stranded is that the market as a whole has been weak since it was launched.

Government attacked for order losing shipbuilding

A UNION leader accused the Government yesterday of losing a vital shipbuilding order by refusing to help a UK yard match an "unfair" bid by a Finnish yard.

Steel union to fight any bid to sell BSC

THE STEEL industry's biggest trade union yesterday declared itself ready for "concerted industrial action" to fight any Government attempt to sell parts of the nationalised British Steel Corporation.

Weather

UK TODAY MOSTLY sunny, becoming cloudy in the North. Little rain in Scotland and Ulster. Hot in South.

EEC plan to control oil spot markets

THE EEC is to explore the possibility of organising an "oil exchange" for spot market transactions, in an attempt to bring greater discipline and disclosure to international trading in crude oil and products.

U.S. petrol

Similar curbs are to be introduced in the Washington metropolitan area which includes parts of Virginia and Maryland. Governor Ella Crasso of Connecticut has also announced that he will shortly curb petrol sales.

Small is beautiful...

Advertisement for Clinicon Fire Protection, featuring a fire extinguisher and text: 'Small is beautiful... FIRE PROTECTION Waterless Sprinklers'